106-06530/

HOUSING MARKET OUTLOOK

Canada

Canada Mortgage and Housing Corporation

www.cmhc.ca

Housing starts will remain strong

Overview

Housing starts:

2005: 225,481

2006: 208,700

2007: 194,800

Resales:

2005: 481,900

2006: 461,500

2007: 444,000

Housing starts: After posting a 17-year high in 2004, residential construction activity slipped 3.4 percent to 225,481 starts in 2005. Starts will remain above the 200,000 unit level for a fifth consecutive year in 2006 at 208,700 units. Starts will ease further in 2007 to 194,800 units.

Resales: Sales of existing homes established a new record of 481,900 units in 2005, but will moderate to 461,500 units in 2006 and to 444,000 units in 2007.

Resale prices: After posting its strongest increase in 16 years, house price growth in 2006 will slow to 5.5 per cent as markets become more balanced. Growth in house prices will slow even further to 3.8 per cent in 2007.

Provincial SPOTLIGHT

British Columbia: New home construction in 2006 and 2007 will remain high by historical standards reflecting continued strong employment and income growth. As a result, housing starts will remain above the 30,000 unit mark during the next two years. (Details on Page 8)

Alberta: Alberta's vibrant job market will continue to be a magnet for workers from other parts of Canada seeking job opportunities. The combination of a strong job market and population growth will keep total housing starts above the 35,000-unit mark in each of 2006 and 2007. (Details on Page 9)

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Canada

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National Housing Outlook

In Detail

Although housing starts fell short of 2004's 17-year high, at 225,481 units, 2005 marked the fourth consecutive year in which starts exceeded the 200,000 unit threshold. Housing starts in Canada are forecast to decline 7.4 per cent to 208,700 units in 2006. Much of the decline in starts this year will be in Ontario and Quebec where the housing markets have been pulling back from the exceptionally strong levels seen in recent years. Residential construction will continue to ease in 2007 with national housing starts dipping 6.7 per cent to 194,800 units.

There are a number of factors that will contribute to the lower pace of new home construction in 2006 and 2007. The considerable pent-up demand, which was built up during the 1990s, has been eroding steadily since 2002 as the pace of new home construction activity has outstripped long term demographic demand. Looking forward, as pent-up demand for housing continues to erode, new home construction will ease gradually toward levels that are more in line with demographic fundamentals. Higher mortgage rates this year will combine with rising house prices thereby pushing mortgage carrying costs up. Buyers who are already homeowners have a degree of protection from rising house prices because price gains are reflected in increases in their home equity. Therefore, rising house prices will continue to have the greatest impact on first-time buyers who have not benefited from the near double digit price growth seen since 2002. While mortgage carrying costs have been rising, the rate of increase in average rents in many centres across Canada has been muted. Thus, the cost of home ownership is rising relative to renting and is contributing to decreased demand for ownership housing.

Increased competition from the existing home market will also impact the pace of new home construction. The number of new listings will continue to rise thereby offering more choice to potential buyers than in previous years. The increasing supply of listings will ease the existing home market toward a more balanced state, which will reduce the spillover of demand from the existing home market into the new home market.

Single detached starts to fall in 2006 and 2007

Single detached starts peaked at a 16-year high of 129,171 units in 2004 before falling 6.7 per cent to 120,463 units in 2005. The slowing trend will continue this year and next. Single family housing starts are forecast to decline 9.6 per cent to 108,900 units in 2006, then dip an additional 8.6 per cent to 99,500 units in 2007.

Single starts will move lower in all provinces in 2006 except for Manitoba where they will increase marginally. Double-digit declines for 2006 are forecast in Ontario, Newfoundland, PEI and Quebec where single detached starts are forecast to drop by 14.8, 13.2, 12.5 and 10.2 per cent, respectively. For 2007, the largest percentage declines will be in Quebec (11.6 per cent) and Ontario (11.3 per cent).

Starts of multi-family homes will remain strong

Multi-family housing starts (semi-detached, row, and apartment units) reached an 18-year high in 2004 at 104,260 units. In 2005, multiple starts exceeded this performance at 105,018 units. The multiple sector's increasing share of total starts is largely the result of higher mortgage carrying costs, which are leading many buyers to consider less expensive multiple family dwellings. Multi-family housing starts will remain strong at 99,800 units in 2006. Despite the slight decline, multiple starts will remain at nearly double the annual levels recorded in the mid to late 1990s. Semi-detached and apartment construction will dip 5.6 per cent and 5.1 per cent respectively, while rows will decline 4.0 per cent.

Across the nation, the largest decreases in multi-family starts this year will be in Quebec (-20.3 per cent), and New Brunswick (-16.9 per cent). Multiple starts will be significantly higher in Saskatchewan and Nova Scotia thanks to solid gains in apartment construction.

Apartment starts will decrease by 5.1 per cent to 65,800 units in 2006 then dip an additional 5.5 per cent to 62,200 units in 2007. Row construction will slide 4.0 per cent to 21,200 starts in 2006 and 1.9 per cent to 20,800 starts in 2007. Semi-detached starts will decrease 5.6 per cent in 2006 and 3.7 per cent in 2007 coming in at 12,700 and 12,200 units, respectively.

MLS® sales to decline after posting a fifth consecutive record

The existing home market set a record high number of sales for a fifth consecutive year in 2005. However, four consecutive years of strong price growth combined with rising mortgage rates in 2006 and 2007 will cause demand for existing homes to ease below last year's record setting pace. MLS® sales are forecast to dip 4.2 per cent to 461,500 units in 2006, then decrease an additional 3.8 per cent to 444,000 units in 2007. On the supply side, an increasing number of new listings will give existing home buyers more choice, thereby moving the existing home market toward more balanced conditions.

Increases in 2006 MLS® sales will be seen in Manitoba (5.9 per cent) and in Saskatchewan (3.5 per cent). For 2007, Manitoba will be the only provinces in which existing home sales will move higher.

Single digit gains for MLS® price in 2006 and 2007

After four consecutive years of near double digit price gains, the average price for an existing home will increase by 5.5 per cent in 2006 and 3.8 per cent in 2007. Moderating sales activity and an increase in the number of new listings will result in an easing of price pressures in 2006 with many major centres' resale markets moving into more balanced conditions. Thus the average MLS® price will reach $262,700 in 2006 and $272,600 in 2007.

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Trends Impacting Housing

The Economy

The Canadian economy continues to expand at a robust pace. Real gross domestic product (GDP) growth accelerated to an annualized 3.6 per cent in the third quarter of 2005, up from 3.4 per cent in the second quarter. After slipping in the second quarter of 2005, third quarter exports rebounded due mainly to exports in the automotive and resource sectors. Wages and salaries continued to outpace inflation while corporate profits advanced at an even stronger clip.

Consumer spending slowed in the third quarter due mainly to a drop in consumer confidence which accompanied the spike in fuel prices in the wake of the Gulf coast hurricanes early in the fall. Consumer confidence has now rebounded from the sharp decline recorded in September, interest rates remain low, and income gains have been strong. Therefore, looking ahead, we expect consumer spending to strengthen. All categories of business investment were up in the third quarter of 2005. Investment in machinery and equipment was up by an annualized 12.4 per cent, non-residential construction was up by 11.9 per cent and residential construction expanded by 2.8 per cent.

The industrial capacity utilization rate moved up to 86.9 per cent in the third quarter. The manufacturing sector also saw its capacity utilization rate increase marginally to 86.1 per cent. These high rates of capacity utilization continue to support our view that the Canadian economy is operating at its potential. Further reduction in monetary stimulus may be required to keep inflationary pressures in check.

Mortgage Rates

The Bank of Canada raised its target for the overnight rate by one-quarter of one percentage point on January 24th, thereby increasing the target for the overnight lending rate to 3.50 per cent. Short term rates will continue to rise in 2006 as the Bank of Canada removes the excess monetary stimulus at a measured pace. We expect three additional 25 basis point hikes in 2006, bringing the target for the overnight lending rate to 4.25 per cent by the end of the year.

Mortgage rates will remain low, rising moderately in 2006. Tame inflation, and a strong Canadian dollar vis-à-vis the U.S. dollar will restrain the size and speed of Canadian interest and mortgage rate increases.

While still low by historical norms, posted mortgage rates are expected to rise gradually by 25-75 basis points in 2006. One, three and five-year mortgage posted rates are forecast to be in the 5.50-6.50, 5.75-6.75, and 6.00-7.00 per cent ranges respectively in 2006. In 2007, these three mortgage rates are forecast to rise marginally and be within 25 basis points of their 2006 annual averages.

Migration

Immigration into Canada is set to come in at the higher end of the 220,000 and 245,000 target range for new permanent residents per year in 2006 and 2007. Net migration (immigration minus emigration) will increase by 5.7 per cent to about 225,000 people in 2006 and by an additional 5.7 per cent to 237,750 net migrants in 2007. Strong net migration will continue to support housing demand with the majority of newly arrived immigrants initially settling in rental accommodations. An increasing share of migrants will move into home ownership as time passes.

Employment and Income

With the Canadian economy operating near full employment, job growth will become increasingly constrained by growth in the population. A surge in new jobs in the latter half of 2005 will result in an elevated launching point for the annual average employment level in 2006. Hence, employment is forecast to grow by 1.7 per cent this year and 1.4 per cent in 2007. The unemployment rate in 2006 will fall for a fourth consecutive year to 6.6 per cent where it will remain in 2007.

Following last year's strong growth, British Columbia will once again lead the rest of Canada with 2.7 per cent employment growth in 2006 and 2.2 per cent growth in 2007. Lacklustre job growth will be recorded in Atlantic Canada this year with New Brunswick and Nova Scotia registering the slowest growth at 0.5 per cent and 0.6 per cent respectively, while Newfoundland and PEI will come in at 0.7 per cent and 0.8 per cent, respectively. New Brunswick and Newfoundland will trail the rest of the country in 2007 with 0.8 per cent job growth.

Alberta will have the distinction of being the only province in Canada to have an unemployment rate below four per cent both this year and next.

Consumer Confidence

The Conference Board of Canada's Consumer Confidence Index rebounded in the fourth quarter after dipping significantly in September. Rising consumer sentiment is expected to be reflected in stronger consumer spending in the months ahead.

Consumers' attitudes toward big ticket purchases such as homes and cars were split down the middle in December with half of respondents agreeing that now is a good time to buy.

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Trends at a Glance

Key factors and their Effects on Residential Construction

Factor	Comment
Mortgage Rates	Mortgage rates will rise marginally in 2006 and 2007, but will remain low in historical terms. Rising mortgage rates, combined with rising house prices will push up mortgage carrying costs. These higher mortgage carrying costs will cool home ownership demand.
Employment	With the economy now operating at full employment, future job growth will be increasingly constrained by population growth. Job creation will continue to stimulate housing demand, although not by as much as in previous years.
Income	Growth in personal disposable income has strengthened steadily throughout 2005. Tight labour markets and continued strong demand for workers will continue to support strong income growth, which will partially offset the impact of higher mortgage carrying costs on home ownership demand.
Net Migration	Net migration is expected to continue to rise in 2006 and 2007 as international immigration comes in at the higher end of the target range. Toronto, Vancouver and Montreal will be the major beneficiaries as most immigrants settle in these centres. Typically, newly landed immigrants rent at first, with an increasing percentage moving into home ownership over time.
Natural Population Increase	Because Canada's population is aging, a smaller proportion of people are in their child bearing years and the birth rate is slowing. The increase in the natural population (births - deaths) will continue to slow in the years ahead thereby lessening the demand for additions to the housing stock.
Consumer Confidence	Consumer confidence, as measured by the Conference Board of Canada, rebounded in October and November, rising back toward the heights seen earlier in 2005. Strong consumer sentiment is expected to prevail throughout 2006, thereby keeping demand for home ownership strong.
Resale Market	After posting a fifth consecutive record year for sales in 2005, sales of existing homes will moderate slightly in 2006 and 2007. Easing sales combined with an increasing number of new listings will result in lessened price pressures this year and next as the resale market moves into more balanced territory. As a result, the increase in the average existing home price will pull back this year and next.
Vacancy Rates	The growth in rental demand due to increased immigration will be offset by modest rental construction, higher mortgage carrying costs, and increased competition from the condo market. As a result, vacancy rates across Canada's metropolitan centres will edge higher in 2006.

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Special Report: Rental Market Outlook: 2006 and 2007

Following three consecutive increases over the 2002 to 2004 period, the average rental apartment vacancy rate in Canada's 28 major centres remained unchanged at 2.7 per cent in October 2005. Looking ahead, renter households will continue to be drawn into home ownership. As a result, the vacancy rate will rise to 2.9 per cent in 2006 and 2007.

The stabilizing of the vacancy rate across the major centres in 2005 reflected a number of factors. High levels of immigration have boosted rental demand over the past year because the majority of new immigrants initially settle in rental housing. Also, across most centres, the gap between the costs of home ownership and renting increased in 2005. As a result, a smaller, although still significant, number of renter households made the switch to home ownership. These two factors put downward pressure on vacancy rates over the past year. On the other hand, condominium completions remained high in some centres. Condominiums are a relatively inexpensive form of housing that are often purchased by renter households switching to home ownership. In some cases, condos can supplement the rental market if they are purchased by investors who, in turn, rent them out. Therefore, high levels of condominium completions created competition for the rental market and put upward pressure on vacancy rates.

Looking ahead into 2006 and 2007, can we expect a continued stabilization in the rental market? To answer this, we will consider the outlook for vacancy rates for some key rental markets across Canada. These include Montreal, Toronto, Vancouver, Winnipeg, Calgary, and Halifax. Forecasts for all major centres are available on pages 24 and 25.

Vancouver:

The vacancy rate in Vancouver increased slightly to 1.4 per cent in October 2005 from 1.3 per cent a year earlier. Despite the increase, the vacancy rate remained below the fifteen-year average of 1.5 per cent.

Looking forward, the overall vacancy rate in Vancouver is expected to edge up to 1.6 per cent in 2006. Renter households will continue to be attracted to home ownership by low mortgage rates and improving employment conditions. The supply of informal rental accommodations will increase as new investor condominiums are completed and offered for rent. These circumstances will provide upward pressure on vacancies over the next year, however, this pressure will be tempered by an increasing number of migrants moving to the Lower Mainland in search of jobs, most of whom will initially choose to rent their homes.

In 2007, the average vacancy rate in the Vancouver CMA is forecast the decline to 1.3 per cent, reflecting further increases in migration from both international and domestic sources, which will offset the flow of renter households into home ownership. Furthermore, while newly completed investor owned condominiums will add to the informal supply of rental accommodation in 2007, their numbers will not be sufficient to push vacancies higher. In fact, investor condominiums will provide a much needed increase in the total number of rental units as the universe of privately initiated rental accommodation continues to stagnate.

Winnipeg:

From 1996 to 2004, the rental apartment vacancy rate in the Winnipeg Census Metropolitan Area (CMA) trended downward from 6.0 per cent to 1.1 per cent. However, the search for an apartment in the Winnipeg Census Metropolitan Area (CMA) became a little easier in 2005 as the vacancy rate relaxed by more than half of a percentage point, going from 1.1 per cent in the October 2004 survey to 1.7 per cent in 2005. However, at 1.7 per cent, the Winnipeg vacancy rate is still one of the lowest among Canadian CMA's. Over the past few years, many renters who could afford to buy a home had been hampered by a lack of available listings. Renters now find themselves with more selection thanks to a rebound in active listings and, as a result, more are able to make the jump to home ownership. This rebound in listings is expected to continue as more existing homeowners look to take advantage of recent price gains and enter the move-up market. This will help to free up rental units that will accommodate the influx of new renters, especially those new households attracted to Manitoba through an aggressive pro-immigration Provincial Nominee Program. Rental supply is not expected to grow significantly for next year's survey. Therefore, an expected easing of the vacancy rate will not come from an increase in rental supply but from a greater number of renters moving into home ownership. The forecast is for a vacancy rate of 2.2 per cent in 2006, and a further increase to 2.7 per cent in 2007.

Calgary:

The vacancy rate in Calgary fell 2.7 percentage points to 1.6 per cent in October 2005, the lowest rate since October 2001 when the vacancy rate was 1.2 per cent. The dominant factors that caused the lower vacancy in 2005 were a strong recovery in net migration, a decline in the rental market universe, and a lack of rent increases.

The vacancy rate in the Calgary CMA is expected to remain below the 2.0 per cent level this year. A return to strong levels of net migration will continue to backfill rental units vacated by those moving to home ownership. Meanwhile, the number of first-time buyers will continue to diminish as rising prices and modestly higher mortgage rates push ownership beyond the reach of some renters. Yet, despite rising mortgage rates in 2006, they will still be quite low by historical standards, thus the exodus of renters into home ownership will be at a more modest pace than previous years.

A declining rental universe will also contribute to lower vacancies this year. The number of conversions from rental to condominiums will continue to surpass new construction,

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continued on page 7....

resulting in a continued decline in the rental market universe. Indeed, Calgary's rental market universe will remain the lowest per capita among the 28 CMAs, and will continue to decline due to persistent population gains.

Toronto:

Rental demand tightened in Toronto in 2005 when the vacancy rate fell to 3.7 per cent. Despite the decline, the vacancy rate remains at its fourth highest level on record. Rental demand increased as a result of higher levels of immigration, incentives offered by many property managers/ owners, lower rental unit completions and easing demand for home ownership.

While Toronto's rental market will remain soft by historical standards it will tighten, with the average private apartment vacancy rate declining to 3.5 per cent in 2006 and 3.0 per cent in 2007. Demand for home ownership will ease over the next two years, as mortgage rates and average home prices increase. As the gap between the cost of owning and renting a home widens, fewer households will choose to purchase a home, opting instead to remain in the rental market.

Immigration into the Toronto area, which will trend higher through 2007, will also play a key role in increasing the demand for rental housing. Approximately 70 per cent of new immigrants to Canada initially choose rental accommodation.

The impact of the rising cost of home ownership and increased immigration will be moderated by a rising number of condominium apartment completions in 2006 and 2007. Many renter households, who purchased a condominium apartment during the pre-construction sales stage of development, will be taking occupancy of their new units. In addition, newly completed investor-held condominium apartments will compete for tenants in Toronto's primary rental market.

Montreal:

Montreal is the largest rental market in Canada. The vacancy rate in Montreal increased from 1.5 to 2.0 per cent in 2005. Since reaching an all time low of 0.6 per cent in 2001, the vacancy rate has been on the rise for the past four years. The rise in vacancy rates reflects weaker demand for rental housing. Low mortgage rates have encouraged many renter households to switch to home ownership. Weak household formation among young people aged 15 to 24, most of whom live in rental housing, also contributed to the increase in the vacancy rate in 2005. On the other hand, there was an increase in the number of immigrants moving to Montreal. This helped slow the decrease in rental demand since the majority of new immigrants initially rent their housing.

The vacancy rate in Montreal is expected to increase to 2.5 per cent in 2006 and to 3.0 per cent in 2007. Continued home buying by renter households will be the dominant factor driving the increases. Despite rising mortgage carrying costs this year and next, these costs are still low and will continue to attract first time home buyers.

Halifax:

Rental market conditions in the Halifax CMA continued to soften over the past year with the apartment vacancy rate rising to 3.3 per cent in October 2005. The weaker demand in the rental market was due in part to the softer local labour market, which had reduced the influx of young households moving into apartments. Also, declining long-term mortgage rates resulted in a greater outflow of tenants to home ownership. However, fewer new apartments were completed, thus moderating the increase in vacant units.

Looking ahead, Halifax's rental vacancy rate is expected to continue to creep upward in 2006 rising to 3.6 per cent. Youth employment conditions are not expected to improve over the next year, constraining a critical source of rental demand as fewer young people form their own households and net migration shrinks among the younger age groups. The flow of renters becoming homeowners is expected to remain fairly brisk over the next year. While five year mortgage rates are forecast to rise, they will remain very low by historical standards. In addition, further expansion in the inventory of homes listed for sale is anticipated, providing expanding options to potential first time homebuyers. There is little to suggest that those factors that led to sagging demand for rental apartments in 2005 will turn around significantly in 2006.

Next year will mark the beginning of a period of tightening rental market conditions in Metro Halifax as the apartment vacancy rate will decline to 3.2 per cent after three successive years of increases. Growth in the supply of rental apartments is forecast to accelerate to approximately 750 units in 2007 from an annual average of 560 rental apartment completions in the preceding three years. However, the impressive expansion of the rental stock is expected to be exceeded by an even more remarkable pace of growth in rental demand. Demographic and economic conditions are forecast to support a faster pace of youth household formation in Halifax in 2007 and it is anticipated that a larger share of more mature renter households will remain in tenancy due to rising mortgage rates and property taxes.

Conclusion

Low mortgage rates, high levels of condominium completions and more balanced resale markets are all factors that will continue to attract renter households into home ownership. Nevertheless, demand for rental accommodations will remain strong due to high levels of immigration and a widening in the gap between the cost of renting and that of owning a home. On balance, the vacancy rate for the 28 major urban centres will edge higher in 2006 to 2.9 per cent and remain unchanged in 2007.

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British Columbia

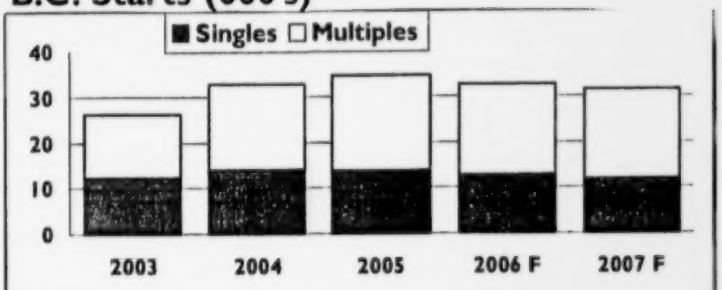
Overview

Momentum carries market through 2007

New home construction in 2006 and 2007 will remain high by historical standards as builders balance demand- and supply-side factors. Strong demand for new homes will come from the spill-over from the resale market, increased employment and growth in incomes, as well as high levels of consumer confidence. These factors will be offset, however, by gradually rising interest rates and rising construction costs. Nevertheless, housing starts will remain high at 32,600 units in 2006 and 31,300 units in 2007.

British Columbia's economy will outperform the national average during 2006 and 2007. Investment in the residential and non-residential sectors, as well as consumer spending, will be the key drivers. The province's resource sector will benefit from ongoing demand for key commodities. Overall, real GDP will grow by 3.5 per cent in 2006 and 2007.

B.C. Starts (000's)



Source: CMHC

Employment gains, which have been concentrated in full-time jobs, will continue to generate strong demand for housing in 2006 and 2007. The number of people working will increase by 90,000 as the goods and services sectors expand. The province's unemployment rate, which declined markedly in 2005, will average 5.6 per cent in 2006 and 2007, staying below the national average. Employment opportunities will attract nearly 90,000 new people to the province in 2006 and 2007 combined.

While demand factors point to ongoing high levels of new home construction, supply constraints will hold the level of new residential construction steady. The non-residential construction sector has picked up in the last two years and will continue to compete with the residential construction sector for resources. This will be a limiting factor to housing starts in the province.

In Detail

Single Starts: The number of single detached housing starts will continue to trend down after reaching a peak in 2004. Relatively high new home prices and increased product choices for consumers, including the attraction of condominium living, are contributing to this trend. As a result, there will be 12,800 single detached starts in 2006 and 11,700 in 2007.

Multiple Starts: A number of large scale projects in the pipeline will keep multiple-unit starts near historical highs during the next two years. In Victoria, demand for condominiums will translate into an increase in multiple-unit starts in 2006 from 2005. Vancouver will see a slight moderation in 2006 as the industry adjusts to resource constraints. In total, builders will start 19,800 units in 2006 and 19,600 units in 2007.

Resales: Around the province, resale markets remain very active with more than 100,000 homes changing hands in 2005. Looking ahead, rising interest rates will dampen resale activity somewhat but levels will remain above the long-run average. In 2006, the number of transactions will decline to 97,000 units, followed by a further decline to 93,000 units in 2007. Resale activity in 2007 will be the fifth consecutive year above 90,000 transactions.

Prices: Demand generated by full-time job gains, increased migration, and high levels of consumer confidence will keep upward pressures on existing home prices during 2006 and 2007. However, increased supply from new homes being completed and from increased listings in the resale market will temper price gains. As a result, the average resale price in British Columbia will reach $355,000 in 2006 and $375,000 in 2007, increases of 7.6 per cent and 5.6 per cent, respectively.

Provincial Highlight

British Columbia's improving labour market conditions are a key driver of the housing expansion, as increasing employment boosts consumer confidence and incomes. Recent figures show that incomes are up strongly from 2004 levels. Wages, salaries and supplementary labour income reached $21.2 billion in the third quarter of 2005, a 6.9 per cent increase from the same period in 2004. After adjusting for the effects of inflation, labour income was still 4.6 per cent higher in the third quarter of 2005 compared to the third quarter of 2004.

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Alberta

Overview

Outlook remains buoyant going into the second decade of the millennium

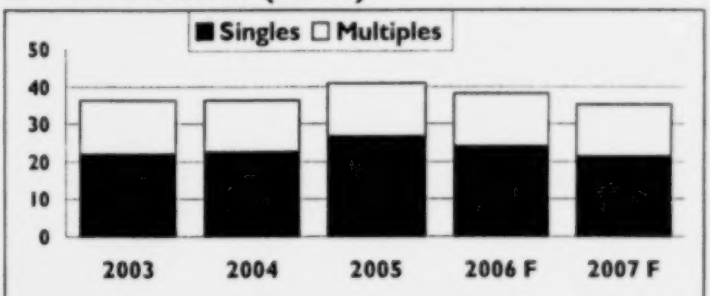
The Alberta economy is forecast to grow by 4.1 per cent in 2006 and 3.5 per cent in 2007. Projections for economic growth in Alberta in 2006 and beyond are optimistic because of high levels of investment in the oil sands sector.

The investment in the oil sands is being driven by demand and supply factors. World consumption of oil is projected to rise from about 82 million barrels per day in 2004 to nearly 120 million barrels per day by 2025 with a significant portion of this increase stemming from China and the United States. Canada is the largest foreign supplier of oil to the United States with most of this supply coming from Alberta. Moving forward, an ample supply of oil sands reserves and favourable production economics means that Alberta will be in a good position to meet the growing need for oil in the United States.

Alberta's vibrant job market will continue to be a magnet for workers from other parts of Canada seeking job opportunities. However, with about 70 per cent of the population between the ages of 15 and 64 already employed, the influx of migrants from other provinces will not completely alleviate the shortage of skilled workers.

The provincial government is addressing the skill shortage issue through the Provincial Nominee Program. In October 2005, the government announced that the goal of the program is to increase the number of international immigrants from 16,500 per year to 24,000 per year. CMHC's forecast assumes that it will take about two years to achieve the targets of the Provincial Nominee Program. Meanwhile, through inter-provincial and international migration, the province will gain nearly 78,000 persons over the next two years. The combination of a strong job market and population growth will keep total housing starts strong at 39,500 units in 2006 and 37,500 units in 2007.

Alberta Starts (000's)



Source: CMHC

In Detail

Single Starts: At 26,684 units in 2005, single-detached starts recorded their best performance in history. Activity will ease slightly in 2006 and 2007 to 25,500 and 24,000 units, respectively. The reduction in single-detached starts will be the result of capacity constraints in the residential construction industry and the shift of some buyers to the lower priced multi-family condominium market.

Multiple Starts: At 14,163 units in 2005, multi-family starts exceed 14,000 units for the third time in four years. Continued demand from home buyers means that multi-family starts will only ease slightly in 2006 and 2007 to 14,000 and 13,500 units, respectively.

Resales: MLS® sales in 2005 exceeded 60,000 units for the first time, reaching 64,500 sales. MLS® sales will remain strong at 62,000 in 2006 and 60,000 in 2007 because of healthy demand in most of the major markets.

Prices: In 2005, sales in the higher price ranges, particularly in Calgary, led to a double digit rise in the provincial average MLS® price. Price pressures will ease gradually, nevertheless, robust demand will push the average MLS® price to $240,000 in 2006 and $260,000 in 2007.

Provincial Highlight

A survey conducted by Pollara Inc. in October 2005 shows that about 72 per cent of households in Alberta own their home compared to 64 per cent in the rest of Canada. According to the research, this gap is likely to increase in the future. Of the respondents who do not currently own a home, about 55 per cent in Alberta and about 42 per cent in the rest of Canada plan to purchase a home within the next five years.

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Saskatchewan

Overview

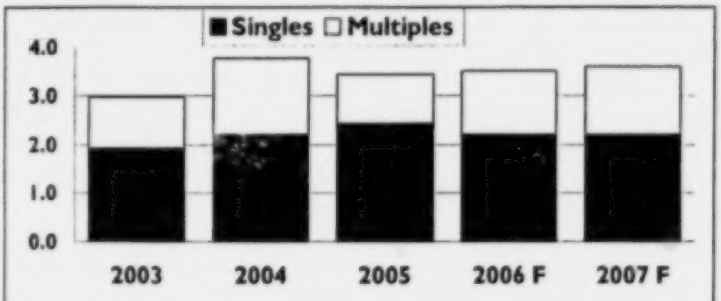
Housing starts on the upswing over the forecast period

The residential construction sector will contribute to economic growth in Saskatchewan in 2006 and 2007. Total housing starts are forecast to increase from 3,500 units in 2006 to 3,600 units in 2007. Higher output in the agriculture, oil and natural gas, potash and uranium industries will also add to overall economic growth. Favourable conditions in these sectors will offset the potential negative impact on economic growth resulting from the closure of Weyerhaeuser's pulp mill in Prince Albert. If an alternate buyer is found to operate the mill, economic growth in 2006 could exceed the forecast of 2.9 per cent. In 2007, Saskatchewan's economy is forecast to expand by 3.1 per cent.

The economic expansion means that the province will gain about 5,000 jobs in 2006 and 2007. The majority of these new jobs are expected to be full-time. As a result, the total proportion of individuals in the labour force with full-time employment is anticipated to approach 78 per cent in 2007, the highest proportion since 1980. This will support demand for home ownership as access to a full time job provides households with the means to save for a down payment as well as enabling them to qualify for mortgage financing.

A key factor underpinning the growth in starts is the improvement in net migration to the province. It is estimated that in 2005 about 3,300 more people left Saskatchewan than moved to the province. Moving forward, CMHC's forecast assumes that a strong job market will stem the outflow of workers to other provinces. In addition, there will be increased gains from international immigration as a result of the Provincial Nominee Program. Consequently, total net migration will improve but there will nevertheless be a net outflow of about 2,500 persons in 2006 and 1,250 persons in 2007.

Saskatchewan Starts (000's)



Source: CMHC

In Detail

Single starts: New land developments are proceeding quickly to satisfy demand from builders in both Regina and Saskatoon where the bulk of starts occur. New supply coupled with continued strong demand will keep single-family starts strong at 2,200 units in each of 2006 and 2007.

Multiple Starts: Periodic scarcity of appropriate land has played a major role in the fluctuation of multiple starts in recent years. In 2005, a large number of condominium units under construction led to a surplus of inventory, further contributing to volatility in multiple starts. Both of these factors have been or are in the process of being corrected and our forecast calls for 1,300 starts in 2006 and 1,400 starts in 2007. Apartment condominiums with underground parking and modestly priced row housing units will dominate the market.

Resales: Existing housing sales again surpassed the 8,000 sales mark in 2005. The listings trend is on the rise ensuring sufficient momentum to support 8,800 resales in 2006 slipping to 8,700 in 2007.

Prices: The average MLS® price in the two major centres will continue to be driven up by demand for home ownership and the shift into the higher price ranges. The average MLS® price for Saskatchewan will increase by 6.6 per cent in 2006 to $130,000 and 6.2 per cent to $138,000 in 2007.

Provincial Highlight

CMHC's annual rental market survey showed a decline in the average vacancy rate for apartments in Saskatchewan's urban centres from 5.1 per cent in October 2004 to 4.4 per cent in October 2005. The average vacancy rate for apartment structures in Saskatoon, Estevan, Moose Jaw and Swift Current declined from the October 2004 survey to the October 2005 survey. Regina, Lloydminster, North Battleford, Prince Albert and Yorkton saw increases in the average vacancy rate compared to the same time in 2004.

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Manitoba

Overview

Demographic and economic conditions point to higher MLS sales and housing starts

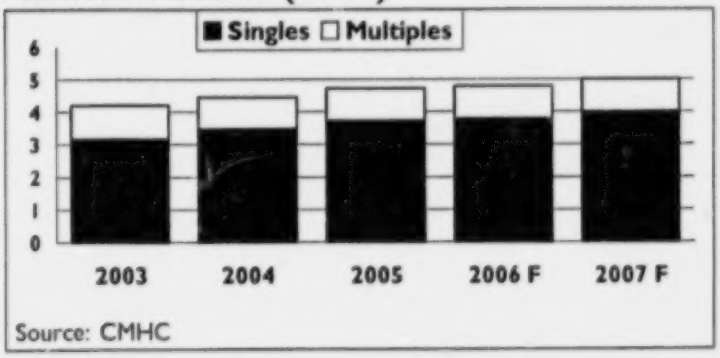
Manitoba is the only province in which MLS sales and housing starts are both forecast to rise in 2006 and 2007. The growth will be underpinned by favourable demographic and economic factors.

The two largest bulges in Manitoba's age pyramid are in the 35 to 54 age group most of whom are move-up buyers and the 20 to 34 age group which consists mostly of renters and first-time buyers. Labour market conditions remain favourable for these age groups and will continue to support home ownership demand among them. The unemployment rate for workers between the ages of 20 and 34 stands at 6.4 per cent. The unemployment rate for the 35 to 54 age category is even lower at 3.4 per cent.

Economic output in the province will rise by 3.1 per cent in 2006 and 2.6 per cent in 2007 and employment conditions will remain positive and supportive of home ownership demand. The unemployment rate is low and skilled labour is in short supply. As a result, income gains will be higher than the rate of inflation. Economic and job growth will be broadly based as 95 per cent of Manitoba's economic production and employment stem from 15 different industrial groups.

The final key factor pushing up MLS sales and housing starts will be the strongest rate of population and household growth since the 1980s. This growth will come from continued arrival of international immigrants due to the Provincial Nominee program. Over the past few years this program has been successful in attracting skilled workers from abroad. With such a positive mix of economic and demographic factors, housing starts will rise to 4,800 units in 2006 and to 5,000 units in 2007.

Manitoba Starts (000's)



Source: CMHC

In Detail

Single Starts: In 2005, Manitoba registered over 3,000 single-family starts for the fourth year in a row. This level will be maintained in 2006 as 3,750 starts are expected. Starts will be driven by robust demand, particularly in mid-sized centres of the southern parts of the province, which have seen population and job gains. A new supply of serviced land in Winnipeg will also emerge during 2006, keeping builders busy in the province's largest market. In 2007, single-family starts will climb further to 3,900 units.

Multiple Starts: Demand for multiple-family starts will remain strong. Projects currently planned for construction include condominium and rental units for seniors, market rentals, mid-priced condominiums, and affordable housing. Multiple-family starts are expected to rise with 1,050 starts in 2006 and an additional 1,100 in 2007.

Resales: Increasing prices and mortgage rates will not cause existing home sales to decrease, as recent population gains and new household formation will continue bring new buyers into the market. An increasing number of listings will provide supply to meet demand for existing homes, helping to boost provincial MLS sales to 13,500 units in 2006 and to 14,500 units in 2007.

Prices: The number of active listings will rise causing the intense competition previously faced by buyers in Winnipeg to ease. Situations, such as the receipt of multiple-offers on a property, that previously had pushed selling prices above list will also become less frequent. Resale price growth in Manitoba will slow to about eight per cent in 2006 and seven per cent in 2007.

Provincial Highlight

The search for an apartment in the Winnipeg Census Metropolitan Area (CMA) became a little easier in 2005. The vacancy rate relaxed by more than half of a percentage point, going from 1.1 per cent in October 2004 to 1.7 per cent in October 2005. This represents the largest increase in the vacancy rate since 1996. The increase is attributed to renters making the jump to home-ownership, a move facilitated by low mortgage rates and a turnaround in the number of active listings in the resale market.

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Ontario

Overview

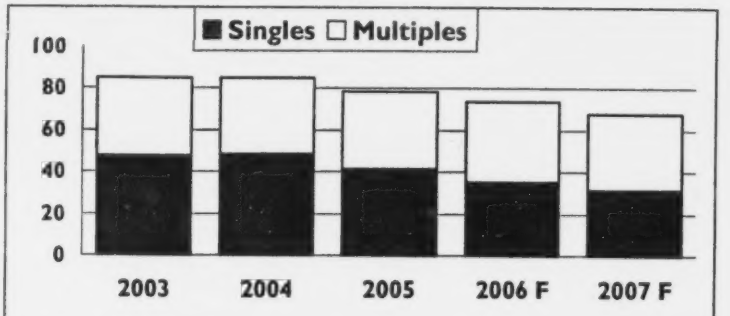
A soft landing for Ontario home sales and housing starts

Housing starts in Ontario have moderated from their recent peak. Meanwhile, existing home sales continue to run near record levels. Look for both existing home sales and new home starts to move lower in 2006 and 2007 as rising interest rates add to the cost of home ownership. High prices will cause single starts to cool more noticeably, while multiple-family home starts will benefit from a shift in demand toward less expensive housing options. Total Ontario home starts are expected to hit 73,800 and 68,000 units in 2006 and 2007, respectively.

Growth in Ontario's manufacturing sector will remain slow, keeping provincial GDP growth below the Canadian average through 2007. However, strong income gains will enable consumer spending to continue contributing to economic growth despite moderate increases in interest rates. Looking ahead, Ontario manufacturers will need to adapt to a high dollar and a high energy price environment. Indeed, investment in machinery and equipment, made more affordable by the strong dollar, will help strengthen productivity growth and improve the sector's competitiveness. In Ontario's key automotive sector, recent restructuring announcements by the "Big Three" will depress hiring in the high paying auto and related parts sectors, however, this will be offset partially by the construction of a new Toyota plant in Woodstock. Ontario's service producing sectors such as health care, education, finance-insurance-real estate will deliver the bulk of job gains through 2007.

A resurgence in the number of immigrants landing in Ontario will help support housing demand, however this will be partly offset by Western Canada's energy based economy which will continue to attract migrants from Ontario.

Ontario Starts (000's)



Source: CMHC

In Detail

Single Starts: Despite a rapidly growing mid 40s population which prefers low density homes, rising home prices and land constraints will depress single-detached home construction, particularly in southern Ontario. Look for 35,500 and 31,500 single detached starts this year and next.

Multiple Starts: A shrinking but healthy pool of first time buyers looking for less expensive homes, combined with provincial government initiatives to intensify new construction in order to build more compact communities suggests condominium construction will remain strong. Town homes will remain popular among those wanting to be closer to the ground. Multiple starts will edge higher to 38,300 units in 2006, then decrease to 36,500 units in 2007.

Resales: Ontario existing home sales have been on par with record levels witnessed in recent years. MLS home sales will drift lower in 2006 and 2007 as rising interest rates cause first time buyer demand to ease. Rising home listings however should bode well for consumers looking for more choice. Existing home sales will remain above historical averages reaching 190,000 and 181,000 units respectively in 2006 and 2007.

Prices: Ontario's resale market has been in seller's territory in recent years with prices growing in excess of inflation. Rising prices will continue to boost home listings in 2006 and 2007 which, combined with the expanding pool of apartments within the resale market, will cause price growth to moderate this year and next. The average price for existing homes will increase 4.6 per cent to $275,000 in 2006 and by 2.0 per cent to $280,500 in 2007.

Provincial Highlight

A robust Ontario resale market will continue to boost renovation spending in the years ahead. Homeowners usually invest in home renovations within two to three years of a home purchase. Record existing home sales across the province in recent years suggests the pace of renovation spending will remain strong, breaking 16 billion dollars in 2006.

Financing options for renovation spending have been attractive in recent years. Rising Ontario home prices have boosted homeowner equity. This combined with low mortgage rates has resulted in more equity take-out financing.

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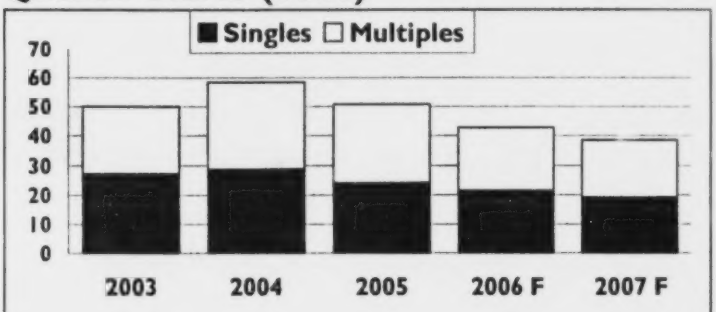
Quebec

Overview

Housing starts continue to decline in 2006

Growth in Quebec's economy will strengthen gradually in 2006 and 2007, but will remain below the Canadian average. Consumer spending, will remain relatively strong but will be limited by the slight rise in interest rates and the effect of high energy costs. Growth in investment, particularly in machinery and equipment, will remain strong as manufacturers seek to increase their productivity in order to compensate for the erosion in their competitiveness due to the high value of the Canadian dollar. The combination of the high Canadian dollar and high energy costs will contain demand for Quebec exports, while fiscal constraints will limit increases in spending in the next year. As a result, provincial GDP will grow by 2.3 per cent in 2006 and 2.6 per cent in 2007. Employment growth will only strengthen marginally from 2005's sluggish pace of 0.9 per cent.

Quebec Starts (000's)



Source: CMHC

The province's evc ing demographic landscape will remain an important source of housing demand. While the aging of the population will increase demand for housing adapted to seniors (condominiums, seniors' residences), net migration - resulting from immigration - is expected to sustain demand for multi-unit rental housing.

In spite of the boost to housing demand stemming from immigration and the aging population, a sluggish provincial economy coupled with the slight rise in interest rates will weaken housing starts this year and next. As a result, housing starts will decrease to 43,000 units in 2006 and to 38,500 units in 2007.

In Detail

Single Starts: Current price levels and rising interest rates will impact single starts in particular as the supply of resale homes (which are generally less expensive) continues to grow. This situation will be compounded by the gradual shifting of demand toward less expensive and increasingly popular multi-family homes. Single starts are expected to record 21,500 units in 2006 and 19,000 in 2007.

Multiple Starts: Strong migration and the aging of the population will continue to support demand for condominiums and seniors residences. As a result, multi-family housing starts will remain high but will decrease to 21,500 units in 2006 and 19,500 units in the following year.

Resales: Sales of existing homes will edge lower, reflecting the rise in mortgage rates and the sluggish provincial economy. MLS sales will reach 69,500 units in 2006 and 67,000 in 2007.

Prices: An increased supply of existing homes listed for sale and a cooling in demand will move the resale market toward more balanced conditions. As a result, price growth in this market should continue to slow in the coming years. The average MLS resale price, should reach $194,000 in 2006, and $199,000 in 2007.

Provincial Highlight

As the economy moves into a phase of rising interest rates, increasing attention is being focused on the issue of indebtedness. While Quebec consumer indebtedness (measured as the ratio of consumer credit to disposable income) is lower than that of the rest of the country (29 per cent compared to 35 per cent in Canada), the provincial debt level has doubled since the early 1980s. With respect to mortgage debt, Quebec also distinguishes itself from the rest of Canada according to the Financial Industry Research Monitor (FIRM). The FIRM results indicate that mortgage indebtedness is slightly lower in Quebec (whether measured against home value or revenue) and that mortgage holders in Quebec make less use of variable rates. The results also show that a lower share of Quebecers intend to make supplementary mortgage payments while a significantly higher share of them use RRSPs as a source of downpayment.

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New Brunswick

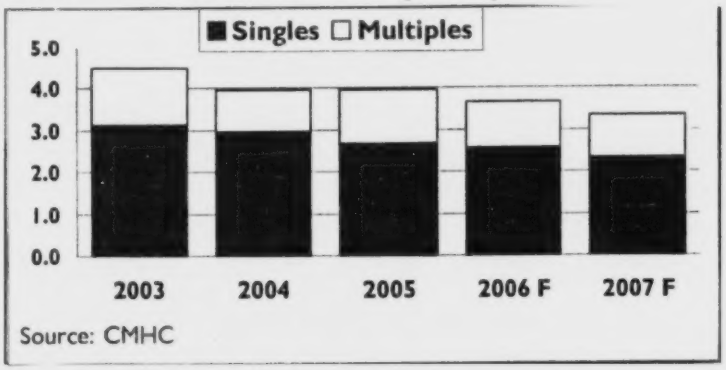
Overview

Economic Growth Slowing

Emerging challenges in the pulp and paper industry and softer demand for the province's exports will curb the rate of economic growth in New Brunswick in 2006. The provincial economy will be driven primarily by non-residential investment due to the planned expansion of the Point Lepreau Nuclear power generating station and the continued twinning of the Trans Canada Highway in Northern New Brunswick. Nevertheless, economic spin-offs from these projects will be partially offset by continued uncertainties in several sectors that have traditionally been mainstays of the New Brunswick economy. The provincial pulp and paper industry has fallen victim to shutdowns and closures during the past year and must face the reality of further disruptions in 2006. Furthermore, softening foreign and domestic demand, the continued strength of the Canadian dollar and high energy costs could potentially lead to a negative impact on the provincial lumber and manufacturing industries, as well as the all important tourism industry. In light of these challenges, overall employment is expected to grow at a moderate pace of less than 1.0 per cent in 2006 and 2007. Growth in annual GDP will be slightly below 2.5 per cent in 2006 increasing to 2.5 per cent in 2007.

The high cost of raw materials has fuelled a rising disparity between the price of new homes and the average selling price of existing homes. A steadily increasing supply of listings is providing additional choices to potential homeowners, further eroding the number of new starts to 3,650 units in 2006 and 3,350 units in 2007.

New Brunswick Starts (000's)



Source: CMHC

In Detail

Single Starts: Single-family starts are expected to decline for the second consecutive year in 2006. Mortgage rates, which have remained relatively unchanged in recent years, are expected to rise slightly. Raw material costs will also be on the rise, leading an increased number of potential homeowners away from new construction, resulting in a reduction in single starts to 2,575 units in 2006 and to 2,330 units in 2007.

Multiple Starts: Multiple unit construction rebounded last year, having experienced a modest dip in 2004. Rental unit construction is expected to remain stable due to rising home ownership costs and stronger in-migration to the province's three large urban centers, both of which will sustain rental demand. Also, additional units, constructed as part of the affordable housing program will help support multiple starts. Nevertheless, multiple starts will decrease to 1,075 units in 2006 and 1,020 units in 2007.

Resales: Rising mortgage rates will cause New Brunswick MLS® sales to decline to 6,400 units in 2006 and to 6,100 units in 2007. Despite the decrease, MLS® sales will remain strong.

Prices: The steady growth in prices observed in recent years is expected to slow due to the larger inventory of listings, combined with reduced sales activity. The average MLS® price is expected to rise by 3.5 per cent to $125,000 in 2006 and by 2.8 per cent to $128,500 in 2007.

Provincial Highlight

New Brunswick's economy has long been dominated by an export mix which consists primarily of commodities such as lumber and related wood products, paper, petroleum, and seafood. With a limited number of commodities accounting for the bulk of the province's exports, when difficulties emerge in one of the key export sectors, it can adversely affect the provincial economy. New Brunswick is making strides towards minimizing this risk by creating an atmosphere conducive to the development of value added products and services. As a result, a variety of projects are being launched throughout the province such as the construction of a liquified natural gas terminal and the addition of high paying IT jobs. These projects will help stimulate development in the province and sustain a stronger, more vibrant economy which will create growth in other sectors including housing.

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Nova Scotia

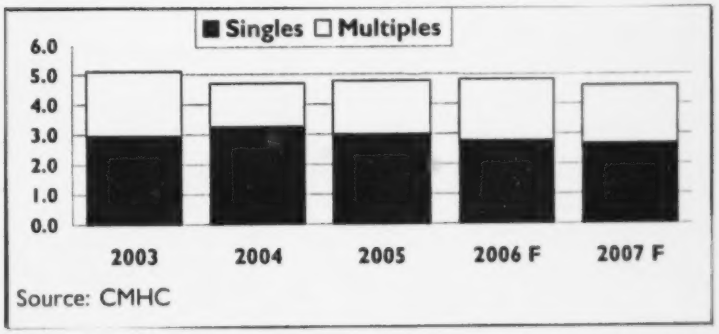
Overview

Rising rates trump investment impact

The pace of housing market activity in Nova Scotia will ease over the next two years as a gradual increase in mortgage rates outranks modest but steady growth in GDP and employment. While 2005 was far from a stellar year economically, elevated energy prices and a lofty Canadian dollar have influenced investment decisions that will have a profound impact on the provincial economy over the short and medium term.

The tourism and transportation industry sectors will continue to grapple with stubbornly high fuel prices over the forecast horizon, while the manufacturing, agriculture and fishery sectors are expected to struggle to overcome the export challenges associated with a high Canadian dollar. However, the corollary opportunity of these energy and exchange rate-related challenges is anticipated rapid growth in investment. Energy-related investment will be especially bullish, particularly in the natural gas sector.

Nova Scotia Starts (000's)



Source: CMHC

In the service sector, consumer spending is expected to remain quite robust and Nova Scotia will continue to benefit from nearshoring of business services, a trend that accelerated throughout 2005.

Finally, the fiscal stability of governments and anticipated growth in program spending will also contribute to strengthening economic conditions in Nova Scotia over the next two years.

Nevertheless, mortgage rates are expected to rise gradually through the end of 2007, on the heels of a prolonged period of impressive residential real estate appreciation. This is expected to curb housing demand, slowing the pace of sales, price growth and residential construction activity. Total housing starts are forecast to match 2005's healthy production level in 2006 with 4,825 units before declining to 4,600 units in 2007.

In Detail

Single Starts: A combination of rising development and construction costs and growing price sensitivity on the part of the housing consumer will exert increasing pressure on homebuilders over the next two years. In addition, existing home inventories will continue to expand, offering potential buyers an expanded menu of options. As a result, production of single-detached housing units is expected to decline 7.8 per cent to 2,775 units in 2006 and another 3.6 per cent to 2,675 units in 2007.

Multiple Starts: Multiple unit starts rebounded impressively in 2005 on the strength of growth in rental apartment construction. This rebound is expected to continue in 2006 courtesy of higher levels of rental and condominium apartment starts as the industry employs increased density in the battle to control costs, prices and rents. Expect multiple starts to climb 16.1 per cent to 2,050 units in 2006 before slipping 6.1 per cent to 1,925 units in 2007 as the apartment market becomes temporarily oversupplied.

Resales: A slower pace of employment growth and rising mortgage rates are expected to curb home ownership demand, culminating in a steady decline in resale trades over the next 24 months. After surging to 10,400 units in 2005, look for MLS® sales to slide 4.8 per cent to 9,900 units in 2006 and a further 5.1 per cent to 9,400 units in 2007.

Prices: As homebuyers become increasingly price sensitive in the wake of rising home ownership carrying costs, the pace of house price growth is expected to steadily decelerate. MLS® annual average price growth is forecast to slow from 9.9 per cent in 2005 to 5.9 per cent in 2006 and only 1.8 per cent in 2007 when it reaches $173,000.

Provincial Highlight

Rental market conditions softened in all five of Nova Scotia's urban centres this year, nudging apartment vacancy rates upward and suppressing growth in monthly rents. Nevertheless, rental market conditions across Nova Scotia remain much healthier than was the case in the mid 1990's as the economy emerged from recession.

The combined average apartment vacancy rate in Nova Scotia's five largest urban centres increased to 3.4 per cent in 2005 from 3.0 per cent in 2004, with a higher vacancy rate posted in all five cities. Growth in average apartment rents failed to keep pace with the provincial rate of inflation over the past year with the combined average monthly rent in Nova Scotia urban centres creeping up to $683 in 2005 from $677 in 2004. While rents climbed in Truro, New Glasgow and Halifax, they declined in Kentville and Cape Breton.

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P.E.I.

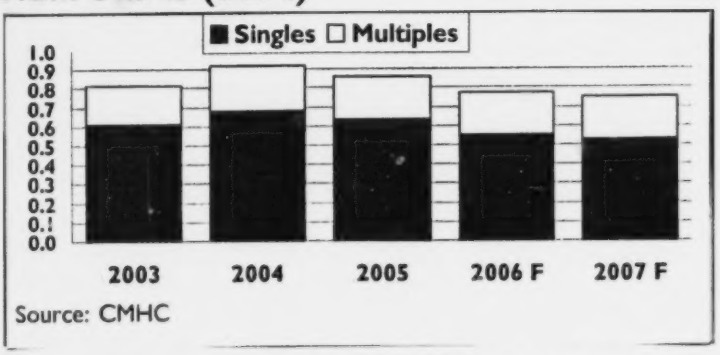
Overview

Total Housing Starts to Slow in 2006

Economic growth in PEI is forecast to remain positive in both 2006 and 2007. It is expected that the province's GDP will advance by 1.6 and 2.0 per cent in 2006 and 2007, respectively. This positive economic growth should occur as a number of industries are poised to see improvements over the forecast period.

The construction industry should get a boost from another surge in non-residential construction. The Capital Region currently has a number of projects that will spill over into 2006, the largest being the new federal building. It is also predicted that the agricultural sector will remain stable over the next two years. The harvest will be sufficient to ensure an ample supply of raw materials for the food-processing sector, decreasing its reliance on imports compared to previous years. Tourism, which also contributes significantly to the Island's economy, is expected to remain stable over the forecast period.

P.E.I. Starts (000's)



Source: CMHC

The rate of employment and labour force growth on the Island is expected to remain positive in 2006 and 2007. The construction sector, particularly the non-residential component, is expected to provide additional jobs in 2006. The labour force will also post growth as a result of continuing positive net migration and the benefits of more Islanders' continue to look for work. Total employment is expected to grow by 0.8 and 1.0 per cent in 2006 and 2007, respectively.

Housing starts reached 862 units in 2005, a decrease of 6.2 per cent from the 2004 level, which was the highest level of starts activity on the Island since 1988. While starts will decrease to 775 units in 2006 and to 750 units in 2007, new home construction will remain strong in historic terms.

In Detail

Single Starts: The construction of single-family homes is expected to decline over the forecast period, from the fifteen year high set in 2004. This is expected as a result of increased interest rates and the ever rising cost of new home construction. Our current forecast is 555 units in 2006, and an additional 530 units in 2007.

Multiple Starts: Multiple starts in 2006 are expected to reach 220 units and remain unchanged in 2007.

Resales: MLS® sales on P.E.I. have been averaging around 1,400 units for the past four years, and this is expected to continue for both 2006 and 2007. The demand for existing homes continues to remain strong, as the price gap between new and existing homes continues to widen.

Prices: After four years of strong price growth, fuelled by a shortage of listings and strong demand for existing homes in the province's two larger urban centres, the average MLS® sales price is expected to increase 2.7 per cent in 2006 and 1.8 per cent in 2007.

Provincial Highlight

For generations, the Prince Edward Island economy has relied on three sectors - agriculture, forestry and the seafood industry. Recognizing the limitations of this lack of diversity, PEI has recently managed to transform its economy by adding to its core strengths. New ventures in non-traditional fields such as aerospace and bio-science have emerged in different regions of the province. These innovative projects are supported by the recently established Atlantic Technology Centre, which is providing local businesses with the most up to date technological tools. Further economic diversification will take advantage of one of PEI's most abundant natural resources - wind! The Atlantic Wind Test Site is continually looking for ways to improve the expertise on the creation of clean, environmentally responsible energy. By modernizing and diversifying the economy, P.E.I. is attracting new business, new residents and strengthening employment prospects. This has benefited the housing and construction industry which now accounts for approximately 5% of the provincial economy.

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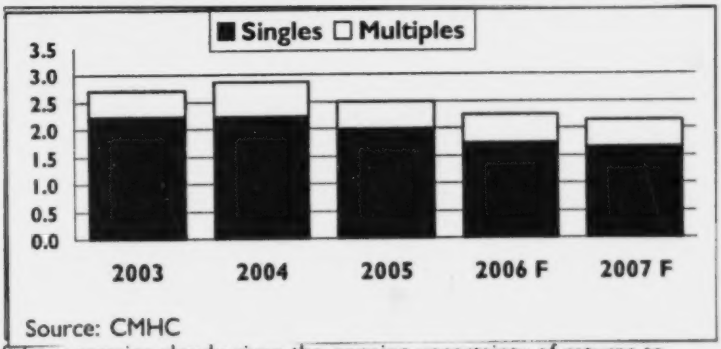
Newfoundland and Labrador

Overview

Decreasing popultaion will hold back housing starts

With both White Rose and Voisey's Bay recording a full year of production in 2006, economic output within the province will increase by a robust 5.0 per cent. Newfoundland and Labrador is expected to be one of the leaders in economic in growth in Canada in 2006 and with the additional production of White Rose oil, the province will produce close to 50 per cent of Canada's light crude oil. With new discoveries at Hibernia and oil production gains from Terra Nova, this growth is expected to continue into 2007. The provincial government has reduced the budget deficit. This has provided room for the province to invest in strategic initiatives helping to bolster overall expenditures. Employment will edge upward, with an increase of 0.7 per cent this year and 0.8 per cent in 2007. The outlook for the fishery remains cloudy, given the ongoing uncertainty of returns to both harvesters and processors caused by the strengthening Canadian dollar, difficult international market conditions, and lower catch rates for key species. While personal incomes will continue to grow in 2006, expect only modest gains in consumer spending. Ongoing population losses and rising interest rates will cause domestic demand to ease. Also, the conclusion of construction at White Rose and Voisey's bay last year will constrain employment growth in 2006. The development of power generation, offshore oil development and growth in the mining industry, present upside risk to the forecast. Even with these factors in play, housing starts are expected to decline to 2,250 units in 2006 and to 2,150 units in 2007 as higher rates and costs, and a shrinking population, affect future growth prospects.

Newfoundland and Labrador Starts (000's)



Source: CMHC

In Detail

Single Starts: Rising input and development costs in the face of growing competition from the existing home market will remain a major factor behind the continued decline in single-detached starts this year and in 2007. A steady flow of out-migration combined with rising interest rates and a marginal labour market performance will push the single starts down to 1,740 units in 2006 and to 1,650 units in 2007.

Multiple Starts: As single-detached home prices continue to climb, multiple unit construction will benefit, increasing to 510 units this year. Migration, changing household structures and a thriving economy are persuading more developers to capitalize on a growing condominium market in St. John's. Accordingly, condo starts are forecast to gradually increase in coming years. When combined with public sector investment in affordable housing, multiple starts will edge down to 500 units in 2007.

Resales: The surge in MLS® listings over the past 12 months has provided more choice in the marketplace and helped to sustain home buyer activity in the St. John's region. With overall demand expected to ease somewhat during 2006 and 2007, provincial MLS® sales are forecast to decrease to 3,000 units in 2006 and 2,850 units in 2007.

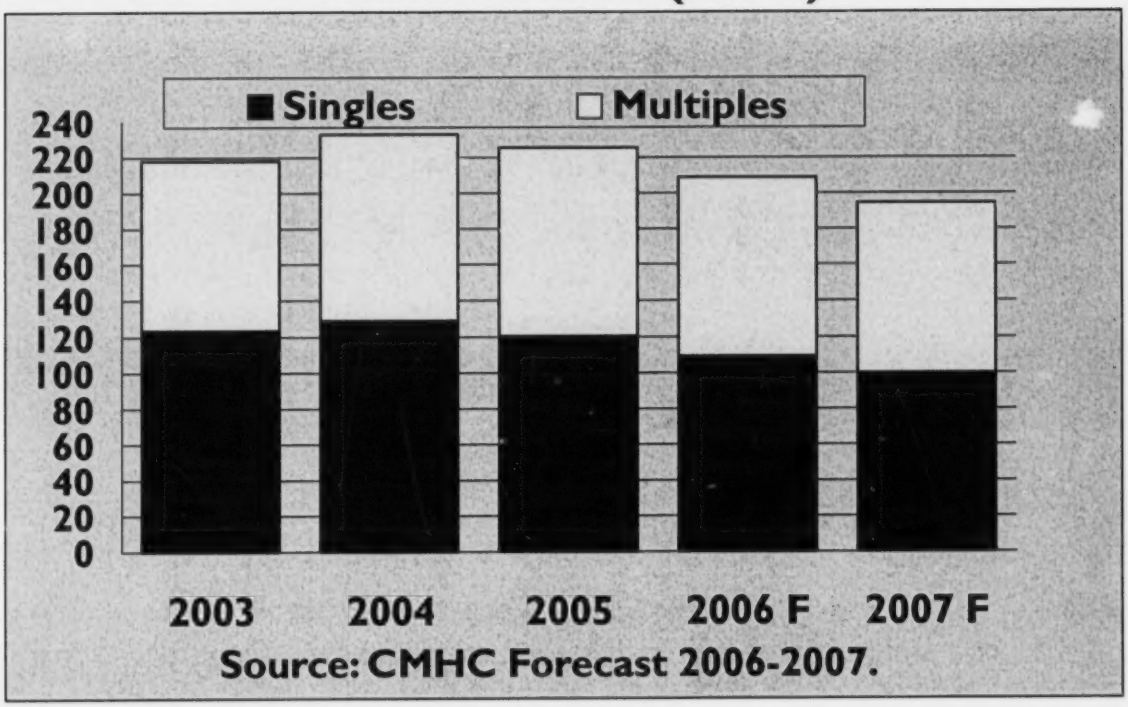
Prices: Despite the surge in the supply of homes for sale, the average MLS® house price continues to increase at a steady rate. Given the surprising strength during the latter half of 2005, expect the MLS® average sale price to advance 4.8 per cent this year. The outlook for 2007 will be impacted by a continuing decline in demand, with the average MLS® price forecast to increase 3.1 per cent.

Provincial Highlight

Vacancy rates within the St. John's region climbed higher in 2005. This marked the second consecutive year in which the vacancy rate increased as a result of a continuing shift to home ownership. Low interest rates, steadily rising incomes and buoyant labour markets continued to draw more households away from renting and into home ownership in 2005. CMHC's survey of privately initiated apartment structures with 3 plus units, identified 180 vacant units within the rental stock which equated to a vacancy rate of 4.5 per cent. This represented an increase from the 3.1 per cent rate recorded a year earlier and marked the second consecutive year in which the vacancy rate rose. Furthermore, at 4.5 per cent, the vacancy rate reached its highest level since 1999.

Contact: Brian Martin (709) 772-4034, bmartin@cmhc-schl.gc.ca

Canada Starts (000's)



Total Housing Starts
(units and annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	1,788	2,419	2,692	2,870	2,498	2,250	2,150
%	22.5	35.3	11.3	6.6	-13.0	-9.9	-4.4
PEI	675	775	814	919	862	775	750
%	-4.9	14.8	5.0	12.9	-6.2	-10.1	-3.2
NS	4,092	4,970	5,096	4,717	4,775	4,825	4,600
%	-7.7	21.5	2.5	-7.4	1.2	1.0	-4.7
NB	3,462	3,862	4,489	3,947	3,959	3,650	3,350
%	12.4	11.6	16.2	-12.1	0.3	-7.8	-8.2
QUE	27,682	42,452	50,289	58,448	50,910	43,000	38,500
%	12.1	53.4	18.5	16.2	-12.9	-15.5	-10.5
ONT	73,282	83,597	85,180	85,114	78,795	73,800	68,000
%	2.5	14.1	1.9	-0.1	-7.4	-6.3	-7.9
MAN	2,963	3,617	4,206	4,440	4,731	4,800	5,000
%	15.7	22.1	16.3	5.6	6.6	1.5	4.2
SASK	2,381	2,963	3,315	3,781	3,437	3,500	3,600
%	-5.3	24.4	11.9	14.1	-9.1	1.8	2.9
ALTA	29,174	38,754	36,171	36,270	40,847	39,500	37,500
%	11.1	32.8	-6.7	0.3	12.6	-3.3	-5.1
BC	17,234	21,625	26,174	32,925	34,667	32,600	31,300
%	19.5	25.5	21.0	25.8	5.3	-6.0	-4.0
Canada	162,733	205,034	218,426	233,431	225,481	*208,700	*194,800
%	7.3	26.0	6.5	6.9	-3.4	-7.4	-6.7

Source: CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding.

Single-detached Starts
(units and annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	1,598	2,092	2,240	2,229	2,005	1,740	1,650
%	21.5	30.9	7.1	-0.5	-10.0	-13.2	-5.2
PEI	551	582	613	682	634	555	530
%	-10.3	5.6	5.3	11.3	-7.0	-12.5	-4.5
NS	2,761	3,363	2,968	3,270	3,010	2,775	2,675
%	-3.3	21.8	-11.7	10.2	-8.0	-7.8	-3.6
NB	2,573	2,769	3,139	2,970	2,665	2,575	2,330
%	5.4	7.6	13.4	-5.4	-10.3	-3.4	-9.5
QUE	17,193	25,257	27,225	28,871	23,930	21,500	19,000
%	12.0	46.9	7.8	6.0	-17.1	-10.2	-11.6
ONT	39,632	51,114	47,610	48,929	41,682	35,500	31,500
%	-3.5	29.0	-6.9	2.8	-14.8	-14.8	-11.3
MAN	2,460	3,016	3,165	3,484	3,709	3,750	3,900
%	4.8	22.6	4.9	10.1	6.5	1.1	4.0
SASK	1,627	1,931	2,097	2,193	2,425	2,200	2,200
%	-13.9	18.7	8.6	4.6	10.6	-9.3	0.0
ALTA	19,769	24,520	21,918	22,487	26,684	25,500	24,000
%	17.4	24.0	-10.6	2.6	18.7	-4.4	-5.9
BC	7,862	10,730	12,252	14,056	13,719	12,800	11,700
%	5.6	36.5	14.2	14.7	-2.4	-6.7	-8.6
CAN	96,026	125,374	123,227	129,171	120,463	*108,900	*99,500
%	4.2	30.6	-1.7	4.8	-6.7	-9.6	-8.6

Source: CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding.

Multiple Starts
(units and annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	190	327	452	641	493	510	500
%	31.9	72.1	38.2	41.8	-23.1	3.4	-2.0
PEI	124	193	201	237	228	220	220
%	29.2	55.6	4.1	17.9	-3.8	-3.5	0.0
NS	1,331	1,607	2,128	1,447	1,765	2,050	1,925
%	-15.5	20.7	32.4	-32.0	22.0	16.1	-6.1
NB	889	1,093	1,350	977	1,294	1,075	1,020
%	39.6	22.9	23.5	-27.6	32.4	-16.9	-5.1
QUE	10,489	17,195	23,064	29,577	26,980	21,500	19,500
%	12.2	63.9	34.1	28.2	-8.8	-20.3	-9.3
ONT	33,650	32,483	37,570	36,185	37,113	38,300	36,500
%	10.6	-3.5	15.7	-3.7	2.6	3.2	-4.7
MAN	503	601	1,041	956	1,022	1,050	1,100
%	137.3	19.5	73.2	-8.2	6.9	2.7	4.8
SASK	754	1,032	1,218	1,588	1,012	1,300	1,400
%	21.0	36.9	18.0	30.4	-36.3	28.5	7.7
ALTA	9,405	14,234	14,253	13,783	14,163	14,000	13,500
	-0.3	51.3	0.1	-3.3	2.8	-1.2	-3.6
BC	9,372	10,895	13,922	18,869	20,948	19,800	19,600
%	34.5	16.3	27.8	35.5	11.0	-5.5	-1.0
CAN	66,707	79,660	95,199	104,260	105,018	*99,800	*95,300
%	12.2	19.4	19.5	9.6	0.7	-5.0	-4.5

Source: CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding.

Multiple Housing Starts by Type (Units)

		2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NF	Semi-detached	30	36	66	264	151	135	125
	Row	36	42	107	51	31	25	25
	Apartment	124	249	279	326	311	350	350
	Total	190	327	452	641	493	510	500
PEI	Semi-detached	56	64	72	76	111	100	100
	Row	10	47	40	80	75	60	60
	Apartment	58	82	89	81	42	60	60
	Total	124	193	201	237	228	220	220
NS	Semi-detached	228	253	338	266	301	250	250
	Row	40	144	277	186	265	225	250
	Apartment	1,063	1,210	1,513	995	1,199	1,575	1,425
	Total	1,331	1,607	2,128	1,447	1,765	2,050	1,925
NB	Semi-detached	114	186	254	293	391	286	305
	Row	153	68	143	256	203	164	170
	Apartment	622	839	953	428	700	625	545
	Total	889	1,093	1,350	977	1,294	1,075	1,020
QC	Semi-detached	1,309	1,855	2,432	2,932	2,678	2,100	1,875
	Row	869	964	773	1,109	1,074	700	625
	Apartment	8,311	14,376	19,859	25,536	23,228	18,700	17,000
	Total	10,489	17,195	23,064	29,577	26,980	21,500	19,500
ON	Semi-detached	7,106	6,886	6,379	5,172	4,673	4,300	4,000
	Row	10,269	11,849	12,191	12,824	12,537	12,350	12,000
	Apartment	16,275	13,748	19,000	18,189	19,903	21,650	20,500
	Total	33,650	32,483	37,570	36,185	37,113	38,300	36,500
MAN	Semi-detached	51	68	88	132	133	70	90
	Row	84	76	62	92	161	100	100
	Apartment	368	457	891	732	728	880	910
	Total	503	601	1,041	956	1,022	1,050	1,100
SK	Semi-detached	116	142	95	184	236	300	200
	Row	240	456	594	681	378	400	400
	Apartment	398	434	529	723	398	600	800
	Total	754	1,032	1,218	1,588	1,012	1,300	1,400
ALB	Semi-detached	1,957	2,869	2,567	2,916	3,012	3,500	3,700
	Row	1,779	2,531	2,859	2,401	2,951	3,100	3,300
	Apartment	5,669	8,834	8,827	8,466	8,200	7,400	6,500
	Total	9,405	14,234	14,253	13,783	14,163	14,000	13,500
B.C.	Semi-detached	916	1,225	1,353	2,062	1,791	1,680	1,600
	Row	1,686	2,305	3,297	4,387	4,459	4,120	3,900
	Apartment	6,770	7,365	9,272	12,420	14,698	14,000	14,100
	Total	9,372	10,895	13,922	18,869	20,948	19,800	19,600
CAN	Semi-detached	11,883	13,584	13,644	14,297	13,477	12,721	12,245
	Row	15,166	18,482	20,343	22,067	22,134	21,244	20,830
	Apartment	39,658	47,594	61,212	67,896	69,407	65,840	62,190
	Total	66,707	79,660	95,199	104,260	105,018	*99,800	*95,300

Source: CMHC Forecast 2006-2007.
* Total does not add due to rounding.

Total Residential Resales
(units and annual percent change)

	2001	2002	2003	2004	2005 (F)	2006 (F)	2007 (F)
NFLD	2,808	3,014	3,238	3,265	3,250	3,000	2,850
%	8.3	7.3	7.4	0.8	-0.5	-7.7	-5.0
PEI	1,234	1,306	1,404	1,500	1,475	1,400	1,400
%	2.3	5.8	7.5	6.8	-1.7	-5.1	0.0
NS	9,441	10,243	9,221	8,873	10,400	9,900	9,400
%	10.1	8.5	-10.0	-3.8	17.0	-4.8	-5.1
NB	4,779	5,089	5,489	5,979	6,750	6,400	6,100
%	5.6	6.5	7.9	8.9	12.9	-5.2	-4.7
QUE	62,351	68,161	67,130	69,617	71,000	69,500	67,000
%	15.1	9.3	-1.5	3.7	2.0	-2.1	-3.6
ONT	162,318	178,058	184,457	197,354	197,000	190,000	181,000
%	10.3	9.7	3.6	7.0	-0.2	-3.6	-4.7
MAN	11,440	11,108	11,523	12,098	12,750	13,500	14,500
%	7.8	-2.9	3.7	5.0	5.4	5.9	7.4
SASK	7,971	7,933	7,698	8,172	8,500	8,800	8,700
%	5.5	-0.5	-3.0	6.2	4.0	3.5	-1.1
ALTA	48,989	51,042	51,334	57,460	64,500	62,000	60,000
%	13.1	4.2	0.6	11.9	12.3	-3.9	-3.2
BC	69,554	82,737	93,095	96,385	106,290	97,000	93,000
%	28.4	19.0	12.5	3.5	10.3	-8.7	-4.1
CAN**	380,885	418,691	434,589	460,703	*481,900	*461,500	*444,000
%	14.1	9.9	3.8	6.0	4.6	-4.2	-3.8

Sources: Canadian Real Estate Association and Real Estate Board of the Fredericton Area Inc.,
CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding. **Canada totals are for 10 provinces

Average Residential Resale Price
(dollars and annual percent change)

	2001	2002	2003	2004	2005 (F)	2006 (F)	2007 (F)
NFLD	104,376	113,081	119,822	131,499	140,750	147,500	152,000
%	4.9	8.3	6.0	9.7	7.0	4.8	3.1
PEI	87,696	94,964	101,745	110,815	116,500	119,500	121,500
%	5.8	8.3	7.1	8.9	5.1	2.6	1.7
NS	115,485	126,669	136,292	146,096	160,500	170,000	173,000
%	5.1	9.7	7.6	7.2	9.9	5.9	1.8
NB	95,947	100,129	105,858	112,933	120,750	125,000	128,500
%	4.7	4.4	5.7	6.7	6.9	3.5	2.8
QUE	115,820	130,403	151,881	170,647	185,000	194,000	199,000
%	4.1	12.6	16.5	12.4	8.4	4.9	2.6
ONT	193,357	210,901	226,824	245,229	263,000	275,000	280,500
%	5.2	9.1	7.5	8.1	7.2	4.6	2.0
MAN	93,192	96,531	106,788	119,245	134,000	145,000	155,000
%	6.0	3.6	10.6	11.7	12.4	8.2	6.9
SASK	98,310	101,297	104,995	110,824	122,000	130,000	138,000
%	4.5	3.0	3.7	5.6	10.1	6.6	6.2
ALTA	153,737	170,253	182,845	194,769	218,000	240,000	260,000
%	5.1	10.7	7.4	6.5	11.9	10.1	8.3
BC	222,822	238,877	259,968	289,107	330,000	355,000	375,000
%	0.7	7.2	8.8	11.2	14.1	7.6	5.6
CAN**	171,801	188,785	207,162	226,283	*248,900	*262,700	*272,600
%	4.7	9.9	9.7	9.2	10.0	5.5	3.8

Sources: Canadian Real Estate Association and Real Estate Board of the Fredericton Area Inc.,
CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding. **Canada totals are for 10 provinces

Employment (annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	3.1	1.6	2.4	1.3	-0.5	0.7	0.8
PEI	1.4	1.4	2.4	0.8	2.2	0.8	1.0
NS	1.0	1.7	2.1	2.4	0.5	0.6	1.7
NB	-0.2	3.7	0.3	1.9	-0.1	0.5	0.8
QUE	1.1	3.7	1.6	1.7	0.9	1.2	1.1
ONT	1.9	1.9	2.9	1.7	1.3	1.4	1.5
MAN	0.5	2.4	0.5	1.0	0.6	1.6	1.4
SASK	-2.7	1.7	1.5	1.0	1.5	1.1	1.0
ALTA	2.9	2.5	2.8	2.3	1.7	1.6	1.8
BC	-0.4	2.0	2.8	2.3	3.3	2.7	2.2
CAN	1.3	2.4	2.3	1.8	1.4	1.7	1.4

Sources: Statistics Canada, CMHC Forecast 2006-2007.
(F) Forecast.

Unemployment Rate (percent)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	16.0	16.6	16.4	15.6	15.2	14.8	14.3
PEI	12.0	12.1	11.0	11.3	10.8	10.9	11.1
NS	9.8	9.6	9.1	8.8	8.4	8.3	7.8
NB	11.1	10.2	10.3	9.8	9.7	9.7	9.7
QUE	8.8	8.7	9.2	8.5	8.3	8.1	8.0
ONT	6.4	7.1	7.0	6.8	6.7	6.6	6.5
MAN	5.1	5.1	5.0	5.3	5.0	4.9	4.9
SASK	5.8	5.7	5.6	5.3	4.8	4.5	4.1
ALTA	4.7	5.3	5.1	4.6	3.8	3.6	3.8
BC	7.7	8.5	8.0	7.2	5.9	5.6	5.6
CAN	7.2	7.7	7.6	7.2	6.8	6.6	6.6

Sources: Statistics Canada, CMHC Forecast 2006-2007.
(F) Forecast.

Real Gross Domestic Product (annual percent change)

	2001	2002	2003	2004	2005 (F)	2006 (F)	2007 (F)
NFLD	1.3	16.7	6.8	-0.7	2.0	5.0	1.5
PEI	-0.3	6.1	1.9	1.7	1.8	1.6	2.0
NS	2.9	5.2	1.2	1.5	2.0	2.5	3.1
NB	1.3	4.8	2.5	2.6	2.2	2.4	2.5
QUE	1.1	4.1	1.9	2.2	2.0	2.3	2.6
ONT	2.0	3.4	1.6	2.6	2.4	2.6	2.9
MAN	0.8	2.2	1.5	2.3	3.0	3.1	2.6
SASK	-1.8	-0.3	4.5	3.5	2.9	2.9	3.1
ALTA	1.6	2.4	2.7	3.7	3.8	4.1	3.5
BC	0.9	3.3	2.5	3.9	3.8	3.5	3.5
CAN	1.8	3.4	2.0	2.9	2.9	3.1	3.0

Sources: Statistics Canada, CMHC Estimate 2005, CMHC Forecast 2006-2007
(F) Forecast.

Total Net Migration* (persons)

	2001	2002	2003	2004	2005 (F)	2006 (F)	2007 (F)
NFLD	-3,765	-2,711	-771	-1,597	-2,000	-2,900	-1,800
PEI	357	149	384	10	350	275	300
NS	-195	1,045	1,279	767	200	700	1,400
NB	-1,175	563	-627	-1	-800	-950	-100
QUE	27,730	28,528	32,663	34,346	30,000	31,000	33,000
ONT	162,871	136,171	106,292	99,031	108,500	111,500	114,500
MAN	-807	1,844	3,315	5,934	4,550	6,050	6,000
SASK	-7,675	-6,285	-3,605	-2,445	-3,300	-2,500	-1,250
ALTA	38,273	29,503	22,425	24,246	35,200	38,250	39,500
BC	28,700	24,488	34,120	37,331	40,000	43,500	46,200
CAN**	244,314	213,295	195,475	197,622	*212,700	*224,925	*237,750

Sources: Statistics Canada, CMHC Estimate 2005. CMHC Forecast 2006-2007. (F) Forecast.
* Sum of interprovincial migration, international migration, and non-permanent residents.
** Excludes Yukon, Northwest Territories, and Nunavut.

Local Market Indicators

Census Metropolitan Area		Total housing starts	Single-detached housing starts	New housing price index, annual % chg.	MLS® sales	MLS® average price	Rental vacancy rate structures of 3 units +
Victoria	2005	2,058	974	8.1	7,970	380,897	0.5
	2006(F)	2,125	950	7.5	7,700	411,000	0.8
	2007(F)	2,050	920	6.7	7,500	425,000	1.2
Vancouver	2005	18,914	4,935	5.5	42,222	425,745	1.4
	2006(F)	18,500	4,800	6.0	39,000	463,000	1.6
	2007(F)	18,200	4,500	7.0	37,500	482,000	1.3
Abbotsford	2005	1,012	458	na	4,035	260,856	3.8
	2006(F)	1,050	425	na	4,100	280,000	5.0
	2007(F)	1,100	400	na	3,800	295,000	3.8
Edmonton	2005	13,294	7,623	6.5	18,634	193,934	4.5
	2006(F)	12,400	7,100	7.0	18,000	210,000	3.8
	2007(F)	11,500	6,500	5.5	17,400	225,000	3.0
Calgary	2005	13,667	8,719	5.9	31,567	250,789	1.6
	2006(F)	14,000	8,750	6.5	31,200	275,000	1.6
	2007(F)	13,500	8,500	5.5	30,500	295,000	1.5
Saskatoon	2005	1,062	751	5.3	3,246	144,787	4.6
	2006(F)	1,300	700	5.0	3,400	156,000	5.0
	2007(F)	1,350	750	5.0	3,600	167,000	4.8
Regina	2005	888	572	6.0	2,730	123,600	3.2
	2006(F)	1,200	600	6.0	2,800	136,000	3.0
	2007(F)	1,000	600	6.0	2,700	150,000	2.6
Winnipeg	2005	2,586	1,756	7.4	11,700	135,000	1.7
	2006(F)	2,650	1,800	6.1	12,000	147,000	2.2
	2007(F)	2,800	1,900	6.5	13,000	156,000	2.7
Thunder Bay	2005	227	179	2.0	1,359	119,932	4.6
	2006(F)	210	160	1.0	1,300	121,500	5.0
	2007(F)	205	155	1.0	1,250	123,900	6.0
Sudbury	2005	400	384	2.0	2,593	134,440	1.6
	2006(F)	380	370	1.0	2,482	139,145	2.0
	2007(F)	410	360	1.0	2,431	142,624	3.0
Windsor	2005	1,496	1,110	3.0	5,661	163,000	10.3
	2006(F)	1,480	1,000	3.0	5,300	165,000	7.5
	2007(F)	1,385	950	3.0	5,200	167,000	5.0
London	2005	3,067	2,063	4.8	9,133	178,910	4.2
	2006(F)	2,740	1,870	4.3	8,700	185,200	4.0
	2007(F)	2,400	1,800	3.8	8,500	189,900	3.8
Kitchener	2005	3,763	2,082	5.3	6,147	220,511	3.3
	2006(F)	3,600	2,000	4.3	6,250	235,000	3.1
	2007(F)	3,310	1,900	3.8	6,100	247,500	2.9
St. Catharines-Niagara	2005	1,412	1,043	7.0	6,715	182,605	2.7
	2006(F)	1,420	950	4.5	6,500	192,500	2.4
	2007(F)	1,380	900	3.5	6,300	200,000	2.3
Hamilton	2005	3,145	1,502	6.0	13,565	229,753	4.3
	2006(F)	2,980	1,480	5.8	13,420	240,700	4.2
	2007(F)	2,920	1,320	5.5	13,220	249,800	4.0
Toronto	2005	41,596	15,797	4.5	85,672	336,176	3.7
	2006(F)	39,900	13,000	4.5	83,000	349,500	3.5
	2007(F)	35,300	11,000	4.0	80,000	360,000	3.0

Local Market Indicators

Census Metropolitan Area		Total housing starts	Single-detached housing starts	New housing price index annual % chg.	MLS® sales	MLS® average price	Rental vacancy rate Structures of 3 units +
Oshawa*	2005	2,934	2,301	na	9,232	252,606	3.3
	2006(F)	2,620	1,990	na	8,920	262,150	3.0
	2007(F)	2,330	1,780	na	8,600	271,000	2.9
Kingston	2005	683	598	na	3,600	196,300	2.4
	2006(F)	710	570	na	3,650	213,000	2.2
	2007(F)	660	550	na	3,700	228,000	2.0
Ottawa	2005	4,982	2,350	5.5	13,300	247,600	3.3
	2006(F)	4,700	2,300	5.0	12,900	255,500	3.0
	2007(F)	4,500	2,200	4.0	12,500	262,600	2.8
Gatineau	2005	2,123	1,192	3.5	3,992	164,000	3.1
	2006(F)	2,000	1,200	3.8	3,750	168,000	3.2
	2007(F)	1,850	1,250	3.0	3,300	170,000	3.0
Montréal	2005	25,317	8,544	5.5	36,600	225,000	2.0
	2006(F)	22,000	7,400	5.0	36,000	232,000	2.5
	2007(F)	18,500	6,500	4.5	35,250	244,000	3.0
Trois-Rivières	2005	919	367	na	773	112,247	1.5
	2006(F)	850	325	na	830	117,500	1.9
	2007(F)	770	310	na	800	120,000	2.3
Sherbrooke	2005	1,076	557	na	1,275	151,124	1.2
	2006(F)	1,050	500	na	1,350	158,700	1.4
	2007(F)	790	400	na	1,200	163,500	1.7
Québec	2005	5,835	2,528	4.3	7,030	151,731	1.4
	2006(F)	5,200	2,300	5.0	7,150	159,300	2.0
	2007(F)	4,200	1,900	3.5	7,050	163,500	2.5
Saguenay	2005	464	267	na	1,244	109,419	4.5
	2006(F)	415	240	na	1,200	117,000	5.0
	2007(F)	350	235	na	1,150	121,000	5.1
Saint John	2005	501	403	4.1	1,901	119,719	5.7
	2006(F)	575	350	3.5	1,750	123,000	5.2
	2007(F)	575	340	3.0	1,650	125,000	5.7
Halifax	2005	2,451	1,216	2.5	6,422	188,484	3.3
	2006(F)	2,825	1,150	3.5	6,100	196,000	3.6
	2007(F)	2,875	1,100	4.0	5,700	198,000	3.2
St. John's	2005	1,534	1,096	5.8	3,211	141,167	4.5
	2006(F)	1,450	1,000	4.0	2,950	148,000	5.0
	2007(F)	1,450	1,000	3.0	2,800	152,500	5.0
Charlottetown	2005	448	305	4.3	486	144,036	4.2
	2006(F)	425	275	3.5	475	147,000	4.5
	2007(F)	400	275	3.0	500	150,000	4.0
ALL METRO AREAS	2005	157,854	71,672	4.8	342,015		2.7
	2006(F)	150,755	65,555	5.1	332,177		2.9
	2007(F)	138,060	60,295	4.7	323,201		2.9

Sources: CMHC, Canadian Real Estate Association, Local real estate boards, Statistics Canada, CMHC Forecast 2006-2007

MLS® data for St. Catharines-Niagara is aggregated using total numbers of the area's three real estate boards.

*MLS® numbers reflect all of Durham Region

n.a.: data not available

Major Housing Indicators
Seasonally Adjusted Annual Rates
(levels and quarterly percent change)

	04:Q1	04:Q2	04:Q3	04:Q4	05:Q1	05:Q2	05:Q3	05:Q4
New housing								
Building permits, units, thousands	234.7	250.2	241.0	239.8	231.3	236.9	234.3	n.a.
%	0.7	6.6	-3.7	0.5	-3.6	2.4	-1.1	n.a.
Housing starts, total, thousands	227.7	231.9	238.0	233.1	212.3	233	227.4	224.6
%	0.9	1.8	2.6	-2.1	-8.9	9.8	-2.4	-1.2
Housing starts, singles, thousands	129.0	126.3	134.4	127.4	116.1	125.0	116.7	121.7
%	1.2	-2.1	6.4	-5.2	-8.9	7.7	-6.6	4.3
Housing starts, multiples, thousands	98.7	105.6	103.6	105.7	96.2	108	110.7	102.9
%	0.6	7.0	-1.9	2.0	-9.0	12.3	2.5	-7.0
Housing completions, total, thousands	45,300	48,644	61,642	60,035	47,053	51,688	58,095	54,406
%	-17.6	7.4	26.7	-2.6	-21.6	9.9	12.4	-6.3
New house price index, 1997=100	120.4	122.6	124.2	125.4	126.5	128.4	130.1	n.a.
%	1.1	1.9	1.3	1.0	0.9	1.5	1.3	n.a.
Existing housing								
MLS® resales, units, thousands	454,888	477,640	460,588	451,276	454,296	491,440	507,236	n.a.
%	1.4	5.0	-3.6	-2.0	0.7	8.2	3.2	n.a.
MLS® average resale price, $C thousands	219,782	226,272	225,789	233,148	239,208	246,283	251,473	n.a.
%	1.9	3.0	-0.2	3.3	2.6	3.0	2.1	n.a.
Mortgage market								
1-year mortgage rate, per cent*	4.30	4.57	4.60	4.90	4.88	4.83	4.97	5.55
5-year mortgage rate, per cent*	5.85	6.45	6.38	6.25	6.12	5.90	5.80	6.15
Residential investment**								
Total, $1997 billions	65.3	66.3	67.4	68.2	67.9	69.3	69.7	n.a.
%	2.1	1.6	1.7	1.2	-0.4	2.0	0.7	n.a.
New, $1997 billions	32.6	33.0	33.5	34.1	33.5	33.5	33.1	n.a.
%	1.8	1.2	1.5	1.6	-1.7	0.0	-1.1	n.a.
Alterations, $1997 billions	23.5	23.7	24.4	25.3	25.3	25.9	26.2	n.a.
%	3.3	0.5	3.1	3.6	0.2	2.2	1.1	n.a.
Transfer costs, $1997 billions	9.18	9.63	9.59	9.13	9.36	10.05	10.52	n.a.
%	0.6	4.9	-0.5	-4.8	2.6	7.3	4.7	n.a.
Deflator, 1997=100	122.7	125.8	126.4	127.2	128.7	129.6	130.2	n.a.
%	1.3	2.5	0.5	0.7	1.1	0.7	0.5	n.a.

Sources: CMHC, Statistics Canada, Bank of Canada, Canadian Real Estate Association.
n.a. Data not available.
* All indicators are seasonally adjusted, except 1-year and 5-year mortgage rates .
** Residential Investment includes outlays for new permanent housing, conversion costs, cost of alterations and improvements, supplementary costs, and transfer costs.

2ND QUARTER

2E TRIMESTRE

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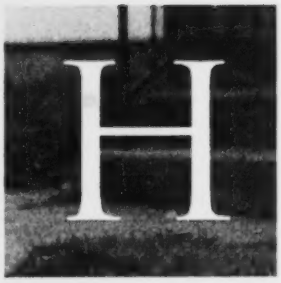

HOUSING MARKET OUTLOOK

Canada

Canada Mortgage and Housing Corporation
www.cmhc.ca

Housing starts will remain strong

Second Quarter 2006

Overview

Housing starts:

2006: 222,200
2007: 204,100

Resales:

2006: 478,400
2007: 460,200

Housing starts: Starts will remain very strong at 222,200 units in 2006 and 204,100 units in 2007. By next year, housing starts will have been above the 200,000 unit level for six consecutive years.

Resales: Sales of existing homes established a new record of nearly 483,000 units in 2005. Sales of exisiting homes will moderate slightly to 478,400 units in 2006 and to 460,200 units in 2007.

Resale prices: Prices for existing homes will increase by 11.2 per cent in 2006, their strongest growth in 17 years. In 2007 price growth will slow to 4.8 per cent as markets become more balanced.

Provincial SPOTLIGHT

British Columbia: New home construction in 2006 and 2007 will remain high by historical standards reflecting continued strong employment and income growth. As a result, housing starts will increase to 37,000 units in 2006 and edge down to about 35,000 units in 2007. (Details on Page 9)

Alberta: Alberta's vibrant job market will continue to be a magnet for workers from other parts of Canada seeking job opportunities. The combination of a strong job market and population growth will keep total housing starts above the 40,000-unit mark in each of 2006 and 2007. (Details on Page 10)

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National Housing Outlook

In Detail

Housing starts in Canada are forecast to decline 1.5 per cent this year to 222,200 units. Still, 2006 will be the fifth consecutive year in which housing starts exceed the 200,000 unit threshold. This forecast of 222,200 starts represents an upward revision from our previous forecast of 208,700 starts published in February. The revision is due mainly to the stronger-than-expected demand in Alberta and B.C.. Residential construction will continue to slow next year with national housing starts easing 8.1 per cent to 204,100 units.

Low mortage rates, high employment levels and rising incomes will continue to support a historically high level of new home starts in 2006. Nevertheless, a number of factors will cause construction activity to moderate this year and next. The pent-up demand that built up during the 1990s is now being fulfilled. As a result, housing starts will gradually move in line with demographic fundamentals. Higher mortgage carrying costs, due to increases in mortgage rates and continued price growth, will temper housing demand. Demand from first-time buyers, many of whom do not have the equity to draw on for a down payment, will ebb. The rising cost of homeownership relative to renting will also decrease first-time home buying activity.

In the Ontario, Quebec and Atlantic regions, a rising supply of listings and lower average prices for existing homes compared to new homes will attract many home buyers toward the existing home market. Increased choice in the existing home market compared to the previous years will reduce the spillover of demand from the existing to the new home market. Moreover, demand for new homes will slow as easing resale price growth coupled with rising construction costs contribute to a growing price differential between new and existing homes. However, in Alberta and B.C., strong job growth willl continue to attract workers from other parts of the country. The resulting strong demand for housing will keep both housing starts and MLS® sales growing in 2006.

Starts of single homes to fall in 2006 and 2007

The slowing trend that started in 2005 will continue this year and next. Single detached starts are forecast to fall by 3.1 per cent to 116,700 units in 2006 and slide by an additional 9.5 per cent to 105,600 units in 2007.

The decline of single detached housing starts will be experienced in most provinces across Canada in 2006. In percentage terms, the largest declines will be in Ontario (14.8 per cent), Newfoundland (13.2 per cent), PEI (12.5 per cent), and Québec (10.2 per cent). The Prairie region and B.C. will buck this downward trend with gains in all four provinces (1.1 per cent, 7.2 per cent, 14.3 per cent, 10.1 for Manitoba, Saskatchewan, Alberta, and B.C. respectively).

Multi-family home starts to remain strong

Multi-family housing starts (semi-detached, row, apartment units) will increase slightly to 105,500 units in 2006, up 0.5 per cent from the 18-year high of 105,018 units in 2005. Starts will remain at a high level in 2007 but will decline by 6.6 per cent to 98,500 units. The fall in multiple starts will be smaller than for singles. This reflects the higher mortgage carrying costs and the shift in demand from homebuyers toward less expensive homes.

Apartment starts which make about two thirds of total multi-family starts, will increase this year by 3.5 per cent while semi-detached and row starts will moderate 5.9 per cent and 5.1 per cent respectively.

The small gains in multiple starts forecast in six out of ten provinces in 2006 will be mostly offset by the weakness expected in Québec (where multiple starts are forecast to decrease by 12.9 per cent).

MLS® sales to taper off

Existing home sales, as measured by the Multiple Listing service (MLS®), reached a record level for the fifth consecutive year in 2005. However, four consecutive years of strong price growth combined with rising mortgage rates will ease demand for existing homes in many centres across the nation. MLS® sales will dip 0.9 per cent to 478,400 units in 2006 and will decrease an additional 3.8 per cent to 460,200 units in 2007. The rising supply of new listings will give home buyers more choice and will help keep MLS® sales strong, making 2006 the second best year on record.

Sales will edge lower in all regions except in the prairies. MLS® sales will rise by 3.8 per cent, 5.9 per cent and 10.8 per cent for Manitoba, Saskatchewan and Alberta respectively.

Record double digit gains for MLS® price in 2006

Despite the slowing trend in Ontario, Quebec and the Atlantic region, the accelerating price growth in western provinces will lead to a 17-year high price increase of 11.2 per cent in 2006. In 2007, higher listings and lower MLS® sales will move the resale market toward more balanced conditions and growth in average MLS® prices wil slow to 4.8 per cent.

Trends Impacting Housing

The Economy

Canada's real gross domestic product (GDP) grew by 2.9 per cent in 2005. Consumer spending, which expanded by 4.0 per cent during the year, was a key contributor to economic growth. The strength in consumer spending reflected low interest rates, strong job markets, and rising incomes. Indeed, strong gains in personal disposable income caused the personal savings rate to return to positive territory by the end of last year. Low interest rates also boosted investment spending by businesses in 2005 as did strong corporate profits. Investment in machinery and equipment, which advanced by nearly 11 per cent, was particularly strong. A significant share of this machinery and equipment is imported, therefore, the high value of the Canadian dollar has made these investments more cost effective. On the downside, the high value of the Canadian dollar continues to challenge the competitiveness of Canadian goods and services. As a result, import gains have outpaced those of exports, which in turn has dampened overall GDP growth.

The Canadian economy is currently operating very close to its capacity. As a result, there is a risk that upward pressure on inflation could start to build. In fact, evidence of rising cost pressures are already evident; growth in wages and salaries has accelerated since the beginning of 2005. So far, there has been no pass-through of these rising costs to core consumer price inflation; however, further reduction in monetary stimulus may be required to keep inflationary pressures in check.

Mortgage Rates

The Bank of Canada raised its target for the overnight rate by one-quarter of one percentage point on April 25th to 4 per cent. Short term rates will continue to rise in 2006 as the Bank of Canada removes the excess monetary stimulus at a measured pace. We expect one additional 25 basis point hike in 2006, bringing the target for the overnight lending rate to 4.25 per cent by the end of the year. It should be noted, however, that the moderating impact of the strong Canadian dollar on economic growth has lessened the need for increases in short-term interest rates in Canada.

Mortgage rates will remain low, rising moderately in 2006. Posted mortgage rates are expected to rise by 25 to 75 basis points in 2006. One, three and five-year posted mortgage rates are forecast to be in the 5.50-6.50, 5.75-6.75, and 6.00-7.00 per cent ranges respectively in 2006. In 2007, one, three and five-year mortgage rates are forecast to rise by an additional 25 basis points.

Migration

Immigration into Canada is set to exceed the 220,000 and 245,000 target range for new permanent residents per year in 2006 and 2007. Net migration (immigration minus emigration) will increase by 7.6 per cent to about 225,000 people in 2006 and by an additional 4.7 per cent to 235,500 net migrants in 2007. Strong net migration will continue to support housing demand with the majority of newly arrived immigrants initially settling in rental accommodations. An increasing share of migrants will move into home ownership as time passes.

Strong employment growth in Alberta and B.C. has attracted a larger number of workers from other provinces. Strong positive net-interprovincial migration in Alberta and B.C. will help support high demand for both rental and ownership housing in these provinces in 2006 and 2007.

Employment and Income

The creation of nearly 1.4 million net new jobs since the start of 2002 caused the unemployment rate to fall from 8 per cent to an all-time low of 6.4 per cent in February 2006. As a result, a record share of Canadians are employed and future job growth will become increasingly constrained by growth in the population. A surge in new jobs in the latter half of 2005 will result in an elevated launching point for the annual average employment level in 2006. Hence, employment is forecast to grow by 1.7 per cent this year and 1.5 per cent in 2007. The unemployment rate will fall for a fourth consecutive year to 6.5 per cent in 2006; in 2007 the unemployment rate will decrease to 6.3 per cent.

Alberta will lead the rest of Canada with 3.1 per cent employment growth in 2006 and 2.0 per cent growth in 2007. Employment growth will also be relatively strong in British Columbia at 2.9 per cent in 2006 and 2.3 per cent in 2007. In contrast, lacklustre job growth will be recorded in Atlantic Canada this year and next.

The tight labour market conditions have been reflected in an acceleration in wage gains during 2005; growth in both average weekly earnings and personal disposable income strengthened throughout the year. Recent income and empoyment growth have helped boost consumer confidence and will continue to support high levels of housing starts in 2006 and 2007.

Trends at a Glance

Key factors and their Effects on Residential Construction

Factor	Comment
Mortgage Rates	Mortgage rates will rise marginally in 2006 and 2007, but will remain low. Rising mortgage rates, combined with rising house prices will push up mortgage carrying costs. These higher mortgage carrying costs will cool home ownership demand.
Employment	With the economy now operating at full employment, future job growth will be increasingly constrained by population growth. Job creation will continue to stimulate housing demand, although not by as much as in previous years.
Income	Growth in personal disposable income has strengthened steadily throughout 2005. Tight labour markets and continued strong demand for workers will continue to support strong income growth, which will partially offset the negative impact of higher mortgage carrying costs on home ownership demand.
Net Migration	Net migration is expected to continue to rise in 2006 and 2007 as international immigration continues to strengthen. Toronto, Vancouver and Montreal will be the major beneficiaries as most immigrants settle in these centres. Typically, newly landed immigrants rent at first, with an increasing percentage moving into home ownership over time.
Natural Population Increase	Because Canada's population is aging, a smaller proportion of people are in their child bearing years and the birth rate is slowing. The increase in the natural population (births - deaths) will continue to slow in the years ahead which will eventually lessen the need for additions to the housing stock.
Consumer Confidence	Consumer confidence, as measured by the Conference Board of Canada, remains high and strong consumer sentiment is expected to prevail throughout 2006. This will support strong demand for home ownership.
Resale Market	After reaching a new record level in 2005, MLS® sales will moderate slightly in 2006 and 2007. Easing sales combined with an increasing number of new listings will result in a decrease in price pressures this year and next as the resale market moves into more balanced territory. As a result, the rate of increase in the average existing home price will slow this year and next.
Vacancy Rates	The growth in rental demand due to increased immigration will be offset by modest rental construction, and increased competition from the condo market. As a result, vacancy rates across Canada's metropolitan centres will edge higher in 2006.

Special Report: Outlook for Housing Starts 2006-2010

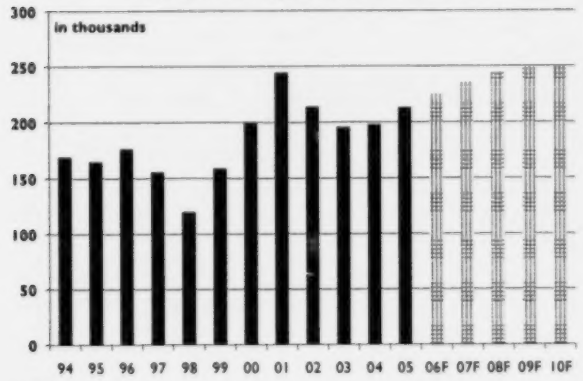
The outlook for the housing market remains very upbeat for 2006 and 2007 with housing starts remaining above the 200,000 unit threshold in both years. What does the future hold beyond 2007? In this report we will present our long term projection for housing starts and highlight some of the key regional trends.

Economic and demographic conditions will continue to support a high level of housing starts

The outlook for Canada is very upbeat, however, the economy is operating at capacity. Our forecast for economic growth of roughly 3 per cent in 2006 and 2007 implies that capacity constraints will still prevail in 2008 as we enter into the horizon of our long term forecast. As a result, real GDP in Canada is forecast to continue to grow at a pace that is in line with the country's potential rate of growth; about 3 per cent annually from 2008 to 2010.

These capacity constraints will be mirrored in the labour market, which is very tight. A a record share of Canadians are currently employed, therefore, job creation will be constrained by growth in the population. Over the 2008 to 2010 period, employment growth will average 1.4 per cent annually; a pace sufficient to keep the unemployment rate near 6 per cent.

Total Net Migration, Canada



F: forecast

When the economy operates at or above its capacity for an extended period of time, there is a significant risk that inflationary pressures will start to build. Because of this, the Bank of Canada has been increasing short-term interest rates with the objective of removing excess monetary stimulus from the economy. At this point, the rise in short-term interest rates has largely run its course, however, we do expect longer term interest rates to continue to increase gradually over the next 5 years. As a result, mortgage rates are expected to edge higher between 2008 and 2010.

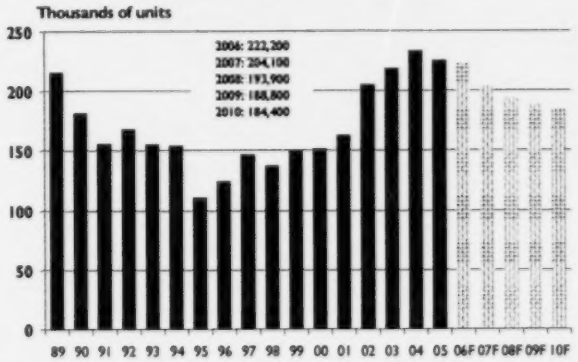
The rate of increase in house prices will slow as resale markets become more balanced later in the decade. The average MLS house price will grow in the 2.5 to 3.5 per cent range between 2008 and 2010. This pace of price growth represents a marked slowing from the pace of over 11 per cent forecast for 2006, nevertheless, when combined with higher mortgage rates, it will contribute to increasing mortgage carrying costs.

Favourable economic conditions, such as relatively low mortgage rates can boost demand for housing, particularly in the short to medium term; population growth is a key driver of housing demand in the longer term. In recent years, a key source of population growth has come from immigration. Over the 2008 to 2010 period, tight labour market conditions will provide an attractive environment that will continue to draw large numbers of immigrants to Canada. As a result, total net migration is forecast to rise steadily from about 223,000 people in 2005 to over 250,000 people in 2010. The rise in net-migration will boost population growth and household formation, which in turn will support high levels of housing starts through 2010.

Housing starts will remain high but will slide gradually between 2008 and 2010

The pace of housing starts has been running ahead of demographic requirements since 2002 and will continue to do so for the next several years. Because of this, the significant pent-up demand that accumulated over the 1990s is wearing off. Looking ahead to the 2008 to 2010 period, housing starts are expected to continue to slow gradually, dipping below 200,000 units to reach 193,900 starts in 2008. By 2010, starts will slow to about 184,000 units.

Total Housing Starts, Canada



F: forecast

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The decrease in starts will be more pronounced for single homes

Starts of multiple family dwellings, such as apartments, semi-detached and row houses, will not decrease as rapidly as starts of single family homes. There are several reasons for this, but the two key ones are: Multiple-family homes are less expensive on average than singles. Therefore, following several years of strong house price appreciation, the continued rise in mortgage carrying costs will cause demand to shift away from singles toward multis. Second, immigration will be the major contributor to population growth over the forecast period and most immigrants tend to settle in rental housing when they first arrive in Canada. Therefore, high demand for rental housing will boost multiple starts relative to single starts. Multiple starts will decrease by 8.6 per cent between 2008 and 2010 to reach 90,000 units. Starts of single homes over this period will drop by 10.6 per cent to reach 94,400 units.

Provincial details: 2006-2010

The declining trend in Canadian housing starts over the 2008 to 2010 period will be reflected in all provinces except Manitoba, where starts are forecast to climb to 5,600 units by 2010, about 18 per cent above their 2005 level.

Newfoundland and Labrador

GDP will be negatively affected by expected declines in oil production at Terra Nova and Hibernia, as these projects will be passed their production peaks. The $2 billion windfall from the Atlantic Accord deal and sustained increases in federal transfers have significantly improved the province's fiscal outlook, however, the province has the highest per capita debt levels in the country. Therefore, fiscal restraint measures will remain a drag on the economy. Population losses will continue, reflecting ongoing negative net-migration patterns and a continuing decline in the natural population. Given the current demographic and economic outlook, a gradual decline in housing demand is anticipated. Housing starts will decrease to 1,900 units in 2008 and reach 1,800 units in 2010.

Prince Edward Island

The Island's economy will grow at a modest pace between 2008 and 2010. The Island's traditional sectors, tourism, agriculture and fisheries are all expected to contribute to the positive outlook, however, efforts to diversify the Island's economy will decrease its reliance on these primary industries going forward. The modest economic growth in P.E.I. will be reflected in weak employment growth. Net-migration will remain positive as people continue to return to the Island to either finish out their careers or retire. This increase in population should serve to maintain the demand for housing. Housing starts will decrease to 670 units in 2008 and will reach 645 units in 2010.

Nova Scotia

Tepid economic and employment growth is expected in Nova Scotia through 2010, with a steadily increasing share of growth being delivered through investment as non-residential construction activity ramps up and consumer spending slows. Provincial housing market activity is forecast to peak in 2006, afterwhich successive annual declines in MLS sales and total housing starts are expected. Housing starts will decrease to 4,500 units in 2008 and by 2010 they will fall to 4,050 units.

New Brunswick

Modest economic growth is expected in New Brunswick over the 2008 to 2010 period. Overall population growth will be modest, however, intra-provincial migration toward the province's largest urban centres will create some demand for new homes. However, rising mortgage rates and weak employment growth will cause housing starts to decrease from just under 3,300 units in 2008 to 2,950 units in 2010.

Quebec

While slower employment growth, rising interest rates, and increased supply on the resale market will lower the demand for new homes in the next five years, immigration and the aging of the population shall moderate this decline. Housing starts should thus decrease to 38,000 units in 2008 and reach 36,000 units in 2010. Given the aging of the population, it is expected that multi-family housing will make up a larger share of new home construction. Many retiring baby boomers wil opt for condominium apartments, while many members of older age groups will move into retirement residences.

Ontario

Economic growth in Ontario will be modest in the near term but will converge on the Canadian average by 2008. Slower job growth, lower levels of in-migration, and a more balanced resale market will cause demand for new homes to moderate. New construction demand will also be constrained by supply considerations - namely tighter supply of serviced lots available for residential development. Ontario home starts will decrease to 66,000 units in 2008 and will continue to trend lower, reaching 64,000 units by 2010. Modestly priced multi family homes will capture a larger share of new construction activity.

continued on page 8....

Manitoba

Housing starts are expected to remain high in Manitoba for the next few years fuelled by continued population and household growth as well as favourable economic conditions. In Winnipeg there appears to be some pent-up demand as household growth has outstripped the growth of the housing stock for several years. With little selection in the resale market, home buyers will continue to be pushed to the new home market keeping single-family starts high. Housing starts will increase to 5,200 units by 2008 and rise further to 5,600 units by 2010.

Saskatchewan

Saskatchewan will continue to benefit from high demand for its natural resources yielding robust economic growth. Net-migration will remain negative but will improve steadily throughout he forecast period. Rising prices and a slow increase in mortgage interest rates will encourage first-time home buyers to return to the existing home market. Housing starts will moderate to 3,500 units in 2008 and will remain at that level through 2010.

Alberta

Thanks to high levels of investment in the oil and gas sectors, the Alberta economy is projected to grow at an annual rate of nearly 4.0 per cent from 2008 to 2010. Continued expansion of the economy means that the province will have the lowest unemployment rate among the provinces over the forecast period. As a result, Alberta will continue to draw workers from other provinces, however, the flow of inter-provincial migration will moderate from current levels. Housing starts will decrease to 37,700 units by 2008 and will reach 34,500 units in 2010.

British Columbia

New home construction in British Columbia will remain above the 30,000 unit level during the next 5 years supported by an expanding economy, growth in employment and incomes and a continued inflow of people from other parts of Canada and the world. During the 2008 to 2010 period, the provincial economy will expand at an annual rate of 3.2 to 3.5 per cent. Consumer spending and investment in both residential and non-residential structures will be the key drivers of economic growth. Population growth will exceed the national average as the province adds 50,000 people per year on average from migration sources. Multiple-unit starts will continue to account for more than half of new homes started reflecting trends in urbanization, higher resale prices, lifestyle choice and limited land supply in urban markets. Despite the positive economic outlook, housing starts will slow to a pace more in line with demographics. Housing starts in B.C. will decrease to 33,200 units in 2008 and trend down to 31,400 units by 2010.

Total Housing Starts, Canada and the Provinces

	2004	2005	2006F	2007F	2008F	2009F	2010F
Newfoundland	2,870	2,498	2,250	2,150	1,900	1,850	1,800
Prince Edward Island	919	862	775	745	670	645	645
Nova Scotia	4,717	4,775	5,100	4,825	4,500	4,175	4,050
New Brunswick	3,947	3,959	3,650	3,350	3,275	3,150	2,950
Quebec	58,448	50,910	45,000	40,000	38,000	37,000	36,000
Ontario	85,114	78,795	75,000	68,500	66,000	65,000	64,000
Manitoba	4,440	4,731	4,800	5,000	5,200	5,400	5,600
Saskatchewan	3,781	3,437	3,600	3,600	3,500	3,500	3,500
Alberta	36,270	40,847	45,000	41,000	37,700	36,000	34,500
British Columbia	32,925	34,667	37,000	34,900	33,200	32,100	31,400
Canada	233,431	225,481	222,200	204,100	193,900	188,800	184,400

F: forecast

British Columbia

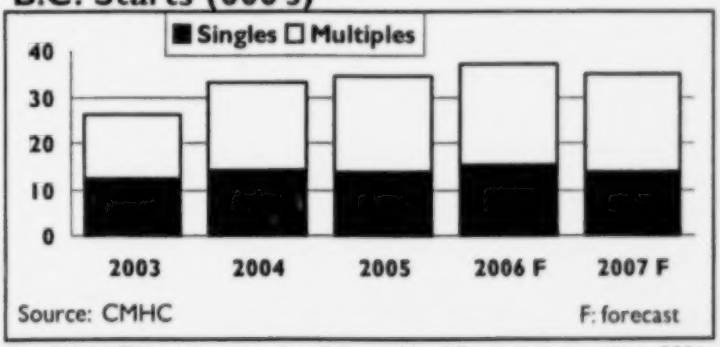
Overview

Strong start to 2006 reflected in outlook

New home construction recorded a strong start in 2006, as the number of foundations poured jumped by one-third over a relatively weak first quarter of 2005. Builders responding to increased demand for new homes were kept busy as the number of units under construction hit record high levels. However, as 2006 passes, some moderation in new home markets will occur as high prices and rising mortgage rates temper demand. As a result, housing starts will total 37,000 units in 2006 and 34,900 units in 2007.

In early 2006, broad-based growth in the province is generating jobs in many sectors including primary industries, construction, transportation, retail trade and professional, scientific and technical services. Last year, gains in employment combined with wage increases to push the level of wages and salaries up 6.1 per cent, ahead of the 5.4 per cent gain in Canada. Looking ahead, growth in incomes and high levels of consumer confidence in the province will translate into ongoing high levels of activity in the housing sector.

B.C. Starts (000's)



Source: CMHC F: forecast

The British Columbia economy will expand by 3.5 per cent annually in 2006 and 2007. Non-residential construction will remain strong due to infrastructure, commercial and institutional building including projects related to the 2010 Winter Olympic Games. This year and next, global demand for commodities such as copper and coal will fuel growth in the mining sector. On the services side, strong consumer spending, partly driven by increased home equity and rising incomes, will support growth in employment in retail and wholesale trade and personal services.

The province's population is expanding as more people move to British Columbia than leave for other places. The province will welcome about 50,000 migrants this year from both international and interprovincial sources. This will push population growth up to 1.4 per cent per year, from the low of 0.9 per cent recorded in 2002.

These economic fundamentals will support another solid year in both new and existing home markets as British Columbia moves into the sixth year of the current up-cycle in housing.

In Detail

Single Starts: Single-detached housing starts remain the preferred product type for many home buyers. However, relatively high new home prices combined with the slight rise in interest rates will dampen new construction of single homes. Builders will start 13,400 single-detached homes in 2006, down from the recent peak of just over 14,000 units in 2004. Next year, 13,000 single starts are projected.

Multiple Starts: Large scale developments in the province's urban centres will continue to account for a significant share of new home construction during the next two years. In total, builders will start more than 21,900 units in multi-family developments in 2006 and 20,900 units in 2007.

Resales: A strong labour market, increasing home prices and new products on the market mean that British Columbians will continue to reassess their housing needs during the next two years. First-time home buyers, move-up buyers and investors will be active in the existing home market, keeping the number of resale transactions near the 100,000 unit level.

Prices: Ongoing demand for housing in established neighbourhoods will put upward pressures on existing home prices. This pressure will gradually ease as new listings increase next year and demand is tempered by rising mortgage carrying costs. As a result, the average resale price in British Columbia will reach $391,000 in 2006 and $418,000 in 2007.

Provincial Highlight

Migration is a key source of housing demand. In 2005, BC recorded a net gain of 4,527 people from other provinces. While the figure is lower than the level recorded in 2004, it is a significant achievement given the strong pull of Alberta. BC's resource-rich neighbour gained almost 42,000 people from the rest of Canada last year, exceeding the high annual totals that British Columbia recorded during the early 1990s. On the international front, BC welcomed about 38,600 people from other countries last year. As a result of the combination of migration and natural increase, the province's population grew 1.3 per cent in 2005, compared to the 1.0 per cent national average.

Alberta

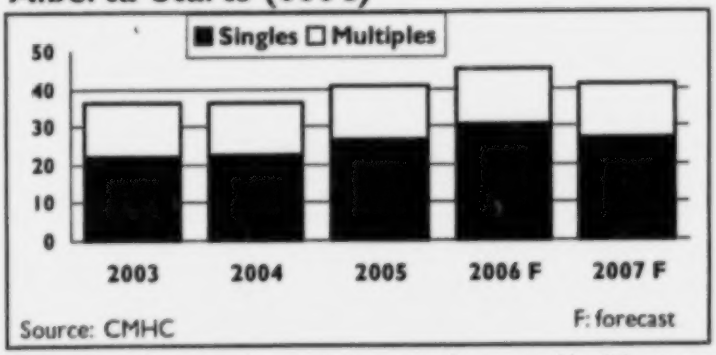
Overview

Strong economy powers housing starts to highest level since 1978

At 40,847 units, housing starts in 2005 reached the highest total since 1978 and the second best on record. Capacity constraints and hefty demand have pushed a large number of permits forward to 2006. As a result, total starts are expected to reach 45,000 in 2006 before moderating to 41,000 in 2007.

Positive economic fundamentals and strong net migration are the dominant forces fuelling demand in the residential construction sector. Economic growth projections remain high in Alberta thanks to massive investment in the oil sands sector. More than $96 billion in energy related capital expenditures are in the planning stages or underway in Alberta, 21 per cent higher than the previous year. Additional projects in health care, education, and infrastructure are being funded by Alberta's escalating budget surplus. Thanks to heightened energy royalties, the current budget surplus is projected to reach $7.4 billion, $5.9 billion higher than original projections. Overall economic output is expected to expand by 4.6 per cent in 2006 and 3.9 per cent in 2007.

Alberta Starts (000's)



Source: CMHC

F: forecast

Alberta's employment opportunities and record low unemployment rate will attract healthy levels of interprovincial migration over the forecast period. Meanwhile, an aggressive Provincial Nominee Program is expected to boost international migrants to Alberta to the highest totals since 1990. Collectively, gains from net migration will add over 75,000 people to Alberta's population over the next two years, providing much needed additions to the labour force.

In 2005, employment in Alberta recorded its weakest growth rate in 12 years, as job gains were constrained by inadequate additions to the labour force. While not alleviating all of the skilled labour shortages, the gains in migration will enable employment to expand by 3.1 and 2.0 per cent in 2006 and 2007, respectively. Expect the majority of these gains to be in full-time positions.

In Detail

Single Starts: In 2005, single-detached starts posted their best performance on record, reaching 26,684 units. Expect a new record of 30,500 starts to be achieved in 2006, as builders work to satisfy demand carried over from 2005. In 2007, single-family starts will moderate to 27,000 units as higher prices and additional resale listings curb new single-family demand.

Multiple Starts: Multiple starts will climb to a 24-year high of 14,500 units in 2006, before slipping to 14,000 in 2007. Demand from buyers seeking a less expensive alternative to the single-family market will maintain construction of multiple family homes at high levels, as will strong interest from investors.

Resales: Despite a shortage of active listings in many markets, MLS® sales in 2006 are expected to set new records of 73,000 in 2006 before moderating to 70,000 in 2007. Demand will remain elevated thanks to strong net migration and a lack of inventory in the new home market.

Prices: In many Alberta markets, record demand and a lack of active listings will translate into short listing durations, multiple offers and sales for more than the list price. As a result, the average resale price is expected to jump 24 per cent in 2006, and 8 per cent in 2007 when more listings come on stream.

Provincial Highlight

Since 1997, Alberta has led the country in the number of housing starts per capita. In 2005, Alberta builders started 12.5 housing units for every 1,000 residents, far exceeding second-strongest province of British Columbia where 8.1 units were started per 1,000 residents. Edmonton and Calgary led all Census Metropolitan Areas in 2005, with 13.1 and 12.9 starts per 1,000 residents, respectively.

Saskatchewan

Overview

Housing starts remain elevated over the forecast period

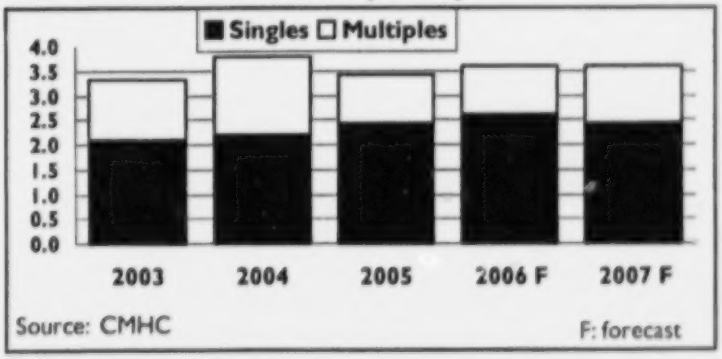
While housing starts will be down from the recent peak of 3,781 units in 2004, they are expected to remain at high levels in 2006 and 2007. Full-time job growth and an improved migration picture should lead to 3,600 starts in both years.

Provincial economic growth over the next two years should remain close to the national average. Higher output in the oil and natural gas, potash, and uranium industries will help the economy grow by 2.9 per cent in 2006 and 3.1 per cent in 2007. A strong residential construction industry and improvement in the agriculture sector should also contribute to provincial GDP growth. Meanwhile, heightened energy prices have elevated resource royalties in the province, leading to a healthy provincial surplus. As a result, expect solid capital spending and tax reform. In 2007, economic growth will get a boost when production begins at the new Cigar Lake uranium mine.

Economic growth will contribute to employment gains of 0.5 per cent in 2006 and 0.8 per cent in 2007. While these growth rates pale in comparison to what will be experienced nationally, the gains will be suppressed by a low labour force expansion due to persistent migratory outflows. This will push the unemployment rate below five per cent over the forecast period for the first time in 25 years. As a result, expect the majority of new jobs to be full-time positions. Saskatchewan should see 2,400 jobs created in 2006 and 3,900 in 2007.

In 2005, about 6,500 more people left Saskatchewan than those who moved to the province. Moving forward, CMHC expects the tightening labour market will reduce the loss of migrants to other provinces. At the same time, Saskatchewan's Provincial Nominee Program will increasingly attract migrants from international locations, helping compensate for the interprovincial declines. As a result, expect an improvement in total net migration with losses declining to their lowest levels in nearly 10 years.

Saskatchewan Starts (000's)



Source: CMHC F: forecast

In Detail

Single starts: In light of healthy economic conditions, CMHC has increased its forecast for single-family starts to 2,600 units in 2006. Single starts will fall off to 2,450 units in 2007. New subdivisions in Saskatoon and Regina will support the increase in expected demand. Builders have made an early start to the 2006 spring construction season, aided by abnormally warm weather. This will contribute to the best starts performance since 1987.

Multiple Starts: The forecast for multiple housing starts has been shaved to 1,000 units in 2006, but multiple starts will rise to 1,150 units in 2007. The surge in lower-priced row housing starts has now subsided and this market has returned to the more traditional market of luxury apartments and semi-detached condominiums for seniors and empty-nesters.

Resales: Early existing home sales statistics support our forecast for a record 8,800 units in 2006. Listings have been trending up in the first months of 2006, further reinforcing our positive forecast. We expect a minor slip to 8,700 sales in 2007.

Prices: Following an 11 per cent gain in 2005, average resale prices in Saskatchewan will continue their upswing driven by record demand and a shift in sales to higher priced homes. As a result, CMHC has revised its forecast for MLS® prices upward in Saskatchewan to $132,000 (up 7.5 per cent) in 2006 and $140,000 (up 6.1 per cent) in 2007.

Provincial Highlight

Elevated commodity prices, Saskatchewan's commanding position as a leading producer of potash and uranium, as well as being second only to Alberta in oil production has contributed to the province earning approximately $1 billion more in revenues in 2005 compared to 2004. Nevertheless, employment gains and average weekly earnings growth have been modest suggesting that housing demand will continue at its present steady pace.

Manitoba

Overview

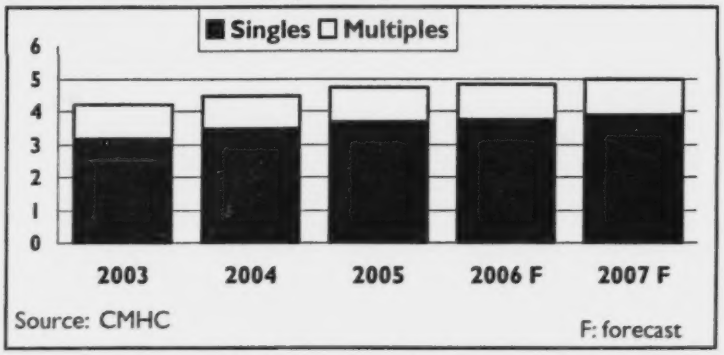
Housing starts and MLS® sales to rise through 2007

Manitoba remains the only province in which housing starts and MLS® sales are forecast to rise in 2006 and 2007. These gains will be bolstered by favourable demographic and economic conditions. Housing starts will rise to 4,800 units in 2006 and to 5,000 units in 2007.

At 3.1 per cent in 2006 and 2.6 per cent in 2007, provincial economic growth in Manitoba will strongly outpace the previous five-year average. Private and public investment will be a significant contributor to GDP growth over the forecast period. Spending on several significant non-residential projects will peak in 2006, while other projects such as the $900 million Wuskwatim hydroelectric project, will start once approvals are in place. Elevated new home construction will also add to economic growth, while tax cuts, sustained income gains, and solid job growth will fuel higher consumer spending. With above average provincial economic growth, employment prospects in Manitoba will remain positive, keeping the province' s unemployment rate the second lowest among provinces following Alberta in 2006 and 2007. However, Manitoba will continue to struggle with a persistent shortage of skilled labour. As a result, employment growth in Manitoba will slip below the national increase, up 1.3 per cent in 2006 and 1.1 per cent in 2007.

Through the Provincial Nominee Program, the Manitoba government has been actively recruiting international migrants to address current labour shortages. This successful program is expected to boost international migration to 8,000 people per year over the forecast period, more than compensating for losses through interprovincial migration.

Manitoba Starts (000's)



Source: CMHC F: forecast

In Detail

Single Starts: Manitoba's single-family starts will continue to post gains over the forecast period as builders strive to satisfy pent-up demand created by several years of household growth surpassing housing starts. While starts in Winnipeg may be held back as builders await a new supply of serviced lots, smaller centres around the province will continue to grow. Expect 3,750 single-family starts in 2006 and an additional 3,900 in 2007.

Multiple Starts: Winnipeg dominates multi-family starts activity in Manitoba where several projects are currently awaiting construction. However, several smaller centres in the province are also turning to multi-family housing to respond to demand created by a recent upturn in immigration. Multiple-family starts across Manitoba are expected to reach the highest level since 1988, with 1,050 starts in 2006 and 1,100 in 2007.

Resales: Despite three consecutive years of rising sales, a low number of active listings have constrained Winnipeg's resale market activity, leaving unsatisfied demand. Recent growth in listings will provide more selection for those waiting to enter the ownership market and for move-up buyers. Provincial MLS® sales will reach 13,250 units in 2006 and 13,750 units in 2007.

Prices: While an increased supply of active listings will ease the upward pressure on resale prices, the overall number of listings is historically low and seller's market conditions will persist. Therefore, average MLS® prices in the province will jump 10 per cent in 2006 and another seven per cent in 2007.

Provincial Highlight

In 2005, growth in single-family starts in rural areas of Manitoba has helped offset a decline in urban single-family starts. While the urban centres account for 67 per cent of the total population of the province, only 53 per cent of all single-family starts occurred there in 2005. Much of the rural housing activity is taking place in towns and cities of just under 10,000 in population, located mainly in the southern parts of the province where immigration and population gains are being spurred by healthy agribusiness and manufacturing sectors.

Ontario

Overview

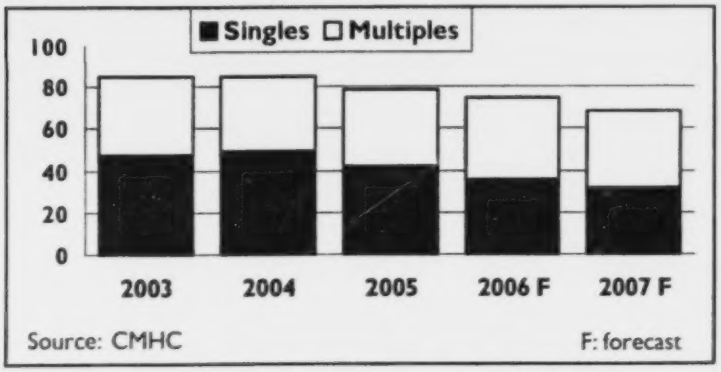
A resilient Ontario housing market

Less stimulative economic and demographic conditions suggest that while Ontario home starts remain above historical averages they will continue to moderate in the years ahead. Rising new detached home prices, more choice in the resale market, and land constraints will all contribute to pushing starts lower to 75,000 units in 2006 and 68,500 units in 2007.

While Ontario economic growth will lag behind the Canadian average, Ontario's economy remains resilient. Rising energy and borrowing costs have failed to dampen consumer spending on general merchandise because rising Ontario incomes have supported consumer confidence. Consumer spending will continue contributing to provincial economic growth, albeit at a slower rate. To offset the competitive disadvantage of a high dollar, businesses are investing in machinery and equipment with the goal of boosting productivity. These productivity gains stemming from capital spending will gradually improve Ontario's competitiveness and net trade picture. More investments in capital and less in labour combined with an ageing labour force suggests a slower pace in job growth relative to historical averages. Ontario's service sector will deliver the bulk of job gains given recent restructuring plans in Ontario's key auto sector.

Low Ontario birth rates combined with slower growth in net migration points to slower population growth ahead. While stronger immigration will boost population growth and housing demand, increases will be tempered by a modest outflow of migrants to the west.

Ontario Starts (000's)



In Detail

Single Starts: Despite a rapidly growing mid 40s population which prefers low density homes, rising prices for homes will boost mortgage carrying costs and cause demand to cool. Single detached starts will decrease to 35,500 units in 2006 and 31,500 units in 2007.

Multiple Starts: A shrinking but healthy pool of first time buyers looking for less expensive homes in combination with provincial government efforts to promote higher density housing suggests condominium apartments will remain in demand. Town homes will gain popularity among those wanting to be closer to the ground. Multiple starts will increase to 39,500 units in 2006 and drop to 37,000 units in 2007.

Resales: Sales through the Multiple Listing Services will pull back only modestly from an all time record in 2004 as home prices and mortgage rates inch up. MLS® sales will decrease to 192,000 units in 2006 and 184,000 in 2007.

Prices: Ontario home prices have been growing at several times the rate of inflation. Growing existing home listings will narrow the gap between home price growth and inflation. Look for Ontario home prices to rise by 6.1 and 2.9 per cent this year and in 2007, respectively

Provincial Highlight

Ontario vacancy rates edged lower last fall for the first time since 2000. What is in store for Ontario's rental markets? Rising homeownership costs, rental incentives and continued strength in immigration will increase rental demand. This will push rental vacancies lower across most major Ontario centres. However, lower but healthy ownership demand, competition from condominium ownership, and rental completions should keep vacancy rates near historically high levels.

Quebec

Overview

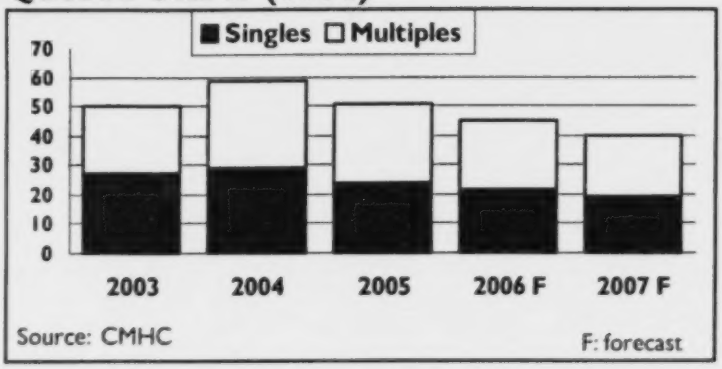
Residential construction down in 2006

In 2006, Quebec's housing sector shall be characterized by declining residential construction, a weaker albeit sustained resale market, single digit price growth, and a more balanced rental market. After several years of slower economic and demographic growth, a negligeable remaining pent up demand, and the prospect of rising interest rates, housing starts will drop by 12 per cent to 45,000 units in 2006 and by 11 per cent to 40,000 units in 2007. The resale market dips by just under 2 per cent to achieve 69,500 transactions in 2006.

Recently, the province's economy has been compromised by a weak export sector. Challenged by a strong Canadian dollar, demand for Quebec goods is now further challenged by rising energy costs and a struggling manufacturing sector. As the provincial government attempts to balance its budget, spending increases will remain confined to essential services and fiscal policy will not contribute much to provincial growth. At the municipal level, demerger initiatives in some centres have brought about notable rises in property taxes. Both consumer spending and private sector investment remain the drivers of Quebec's economy, however the latest indicators show some signs of slowing. We expect that these conditions will lead GDP to grow by 2.3 per cent in 2006 while employment will edge up by just over one per cent.

Meanwhile, the province's evolving demographic landscape shall remain an important source of housing demand. While the aging of the population increases demand for housing adapted to seniors (condominiums, seniors' residences), immigration is expected to sustain demand for multi-unit (rental) housing.

Quebec Starts (000's)



Source: CMHC F: forecast

In Detail

Single Starts: Increased supply in the resale market combined with rising house prices and interest rates shall further weaken this market segment in 2006. The gradual shifting of demand toward the less expensive and increasingly popular multi-family market will compound this situation. Single-family starts should thus record 21,500 units in 2006 and 19,500 in 2007.

Multiple Starts: Demand for multi-family housing, although decreasing in the next few years, will remain high as migration remains strong and population aging continues to generate demand for condominiums and seniors residences. It is expected that over 23,500 multi-family projects shall be started in 2006 and 20,500 the following year.

Resales: After three years of strong activity, sales of existing houses will begin to decline in 2006, as demand reacts to rising mortgage carrying costs and lacklustre growth in the provincial economy. The decline, however will be limited because a larger share of home buyers will turn to the resale market. Transactions recorded by the Multiple Listing Service (MLS®) will achieve 69,500 units in 2006 and 67,000 units in 2007.

Prices: Increased supply of resales and a cooling demand will move this market toward more balanced conditions in 2006. Moreover, interest rate increases shall further limit price growth in this market in the coming years. As a result, the average MLS® resale price should increase by 6.2 per cent to $196,000 in 2006, and by 3.1 per cent to $202,000 in 2007.

Provincial Highlight

CHMC's 2005 retirement home market survey for Quebec tells us that despite rising vacancy rates in some cities, demand remains strong. Over the past several years, population aging in Quebec has brought about rising demand for retirement homes. As builders responded, the province's two main cities began to see some easing in their rental markets. This is reflected in the 2005 rental market survey results. In the Montreal Census Metropolitan Area (CMA), the overall vacancy rate rose from 2.9 per cent to 4.1 percent in 2005, while the Quebec CMA showed a similar picture (3.5 per cent to 4.2 per cent in 2005). However, for other CMAs, rising construction has not translated into rising vacancy rates. Whereas the Gatineau and Sherbrooke areas presented a less notable rise (0.3 and 0.2 percentage point rises respectively), others, such as the Trois-Rivières (4.5 per cent to 3.7 per cent in 2005) and Saguenay (2.9 per cent to 1.5 per cent in 2005) CMAs saw their vacancy rates drop in 2005. Even though the long term demographic trend points toward continued and increased demand for senior housing, a temporary levelling of growth in the population aged 75 and over should bring about a similar slow down in building of retirement homes.

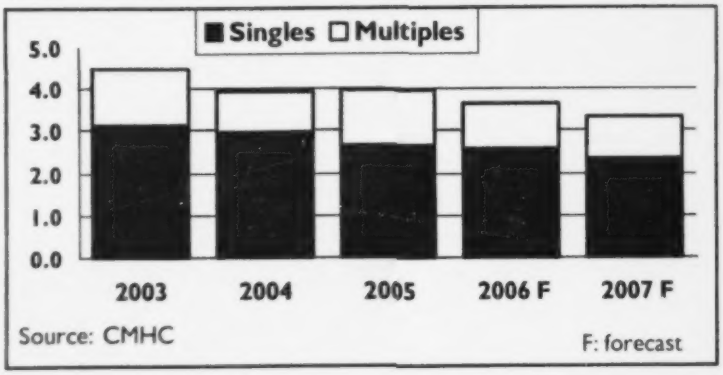
New Brunswick

Overview

Residential construction eases slightly in 2006

Economic growth in the province of New Brunswick will continue to be linked to larger scale capital investment projects over the forecast period. Work is proceeding on the twinning of the Trans Canada Highway in the northwestern region of the province, helping fuel the provincial economy. In addition, upcoming projects, such as the construction of a Liquified Natural Gas terminal and upgrades to the Point Lepreau nuclear generating station promise further stimulus for the provincial economy. The economic benefits of these projects will be partially offset by the continued strength of the Canadian dollar which will likely restrain growth in provincial exports over the forecast period, thereby offsetting some of the economic stimulus linked to the current and upcoming capital projects.

New Brunswick Starts (000's)



Source: CMHC

F: forecast

Indeed, due to the provincial economy's reliance on trade, GDP growth is expected to remain below 3 per cent in both 2006 and 2007. Moreover, employment growth will be modest at 0.5 per cent and 0.8 per cent in 2006 and 2007, respectively.

Escalating inventory in the resale market, combined with continued increases in raw material costs will result in reduced single starts. However, a rise in semi-detached starts and new affordable housing projects will help offset the aforementioned drop in single starts. Expect 3,650 and 3,350 starts in 2006 and 2007, respectively.

In Detail

Single Starts: The number of single starts will decline over the forecast period due to rising mortgage rates and increasing house prices due to the rising costs of raw materials and labour. Also contributing to declining single starts is the large supply of existing homes listed for sale, which is shifting potential buyers toward the existing home market. Expect single starts to drop to 2,575 units and 2,330 units in 2007.

Multiple Starts: Multiple unit construction activity rebounded last year with increased starts in most regions of the province. Multiple starts are expected to decline slightly in 2006, in spite of the fact that rising homeownership costs will likely cause some potential consumers to consider lower priced multi-family dwellings rather than singles homes. Multiple starts will come down from last year's total of 1,294 to reach 1,075 units in 2006. Multiples will further decline to reach a level of 1,020 in 2007.

Resales: Continued increases in raw material and labour costs will lead some potentional homeowners to purchase an existing home in lieu of opting to pursue new construction. MLS® sales will recede slightly from last year's peak to reach 6,400 units in 2006, with a further reduction to 6,100 units in 2007.

Prices: Although price growth will continue in 2006, the pace of growth will slow, partly due to the continued rise in listings for existing homes. Moreover, expect to see weakening demand for more expensive homes. Growth in the average MLS® price will slow to 3.6 and 2.8 per cent in 2006 and 2007, respectively.

Provincial Highlight

The provincial governenment recently presented its Five-in-Five focus during the premier's State of the Province Address. Over the next five years, New Brunswick's premier has set five goals aimed at assuring the province's economic success in today's rapidly evolving society. Most prominent among the outlined goals are the drive to increase the number of workers with post secondary education, to lower the provincial tax burden, and to decrease unemployment in the province. These initiatives are designed to help improve provincial economic growth.

Nova Scotia

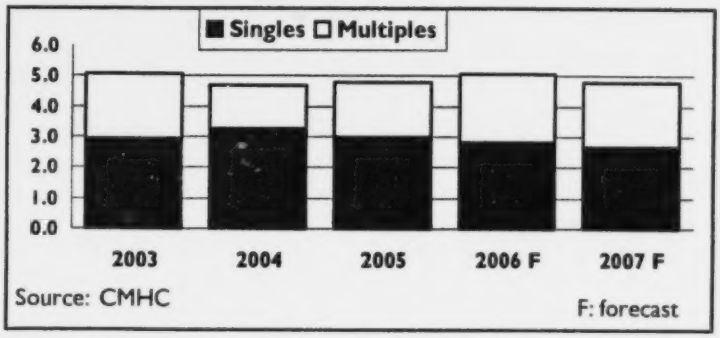
Overview

Demand Eases, Supply Does Not

While slower employment growth and rising homeownership carrying costs will dampen housing demand, residential construction activity is forecast to maintain full momentum courtesy of accelerating apartment construction.

Annual provincial real economic growth rates are forecast to hover between two and two and a half percent this year and again in 2007. However, with a greater share of this growth expected to be delivered through capital investment, employment growth is destined to remain underwhelming. In the goods sector, installation of a compression deck at the Sable Gas project will increase natural gas production while infrastructure, retail and LNG projects will generate accelerating non-residential construction activity. This will compensate for a manufacturing sector (excluding Michelin) that is being battered by labour strife, a high Canadian dollar, and rising electricity costs.

Nova Scotia Starts (000's)



Source: CMHC

F: forecast

The service sector is expected to continue growing on almost all cylinders as consumers spend enthusiastically and governments' fiscal health supports public sector investment in health care, education, social services and defense. However, the tourism industry may buck this trend and experience deja-vu this year as the challenges that beset this industry in 2005 persist.

Mortgage rates are forecast to rise modestly. Nevertheless, these increases come on the heels of a prolonged period of exceptional growth in house prices. In addition, growth in employment will remain tepid over the next two years. These factors will conspire to curb housing demand, slowing the pace of sales and price growth, but not residential construction activity as apartment developers remain bullish. Total housing starts are forecast to rise to 5,100 this year and slip to 4,800 in 2007.

In Detail

Single Starts: Construction and development cost increases in concert with growing price sensitivity on the part of new home buyers will challenge homebuilders over the next two years. Furthermore, as resale market conditions continue to relax, a less stimulative homebuilding environment will gradually materialize. As a result, production of single-detached housing units is expected to decline five per cent this year and again next year with annual starts falling to 2,850 and 2,700, respectively.

Multiple Starts: The impressive rebound in multiple unit starts that began early last year will not only continue in 2006 and 2007, it will accelerate. Rental and condominium developers remain very bullish on demand prospects for apartments in anticipation of steadily increasing house prices as well as supportive demographic trends. Expect multiple starts to leap 28 percent to 2,250 this year, slipping only slightly to a still high level of 2,100 multiple starts next year.

Resales: Homeownership demand is forecast to remain at a high level again this year but it will begin to slide next year as weak job growth and rising homeownership carrying costs begin to affect homebuyer sentiment. As a result, MLS® sales are forecast to remain above the 10,000 mark this year but fall six per cent next year to 9,425.

Prices: Rising homeownership carrying costs and relaxing resale market conditions across the province over the forecast horizon will work in tandem to slow the rate of average MLS® price growth from over nine per cent last year to 5.3 per cent this year and 2.7 per cent next year when average MLS® sale price reaches $172,500.

Provincial Highlight

An anticipated surge in apartment construction will sustain annual total housing starts at very high levels this year and again in 2007. This will result in apartment units contributing an increasing share of total annual housing starts, continuing a trend that has characterized the Nova Scotia residential construction market over the past 10 years. In 1998 and 1999, apartment starts accounted for 16 per cent of total provincial housing starts. That share increased to an average of 26 per cent over the past five years as condominium apartment construction accelerated and rental apartment construction remained at elevated levels. Numerous large condominium and rental apartment projects are forecast to break ground over the next two years, which will boost the apartment segment's share of total annual provincial housing starts to 33 per cent this year and again in 2007.

P.E.I.

Overview

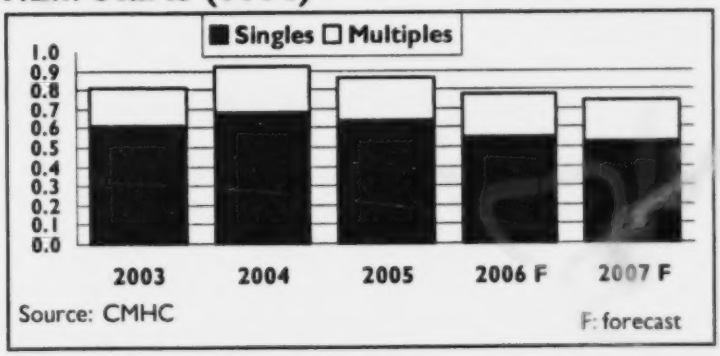
Total Housing Starts to Slow in 2006

The PEI economy is forecast to grow by 1.6 and 2.0 per cent in 2006 and 2007, respectively. 'A number of industries are poised to strengthen over the next two years.

The construction industry will get a boost from another surge in non-residential construction. The Capital Region currently has a number of projects that will remain active in 2006 and 2007, with the highest profile project being the new federal building.

The agricultural sector should also remain stable over the next two years, and will provide an ample supply of raw materials for the food-processing sector. As a result food producers will not have to rely on imported produce as they did in previous years. Tourism, which also contributes significantly to the Island's economy, is expected to remain stable over the forecast period as the result of a more agressive marketing campaign.

P.E.I. Starts (000's)



Source: CMHC

F: forecast

Employment growth is expected to slow from the pace observed in 2005. The service and construction sectors are expected to generate the majority of new jobs. Expect employment to grow by 0.8 per cent in 2006 and 1.0 per cent in 2007, while the labour force will expand by 1.0 per cent in each of the next two years.

Rising new home prices combined with an increased level of new listings will result in a decline in single starts. However, a rise in both semi-detached and row starts will help to offset the decline. Expect a total of 775 and 750 housing starts in P.E.I. in 2006 and 2007, respectively.

In Detail

Single Starts: Increases in mortgage rates, construction costs, and lot prices in urban centres will all contribute to a decrease in the level of single starts over the forecast period. As well, increased MLS®listings will further contribute to a decline in single starts as potential buyers shift to the resale market. Expect single starts to drop to 555 and 530 units in 2006 and 2007, respectively.

Multiple Starts: Following four years of strong multiple construction activity in the province, expect multiple starts to remain stable over the next two years. The new affordable housing program will help to stimulate rental starts this year and next. Expect multiple starts to reach 220 units in 2006, before gradually declining to 220 units in 2007.

Resales: A rise in new listings and a broadening gap between existing and new home prices will cause many households to shift to the resale market. Expect MLS® sales of 1,400 units in 2006 and 2007.

Prices: Price growth will moderate in 2006 due to a rise in listings. Furthermore, demand for more expensive homes will weaken due to rising homeownership costs. Expect the average MLS® price to grow by 3.2 per cent in 2006 and 2.1 per cent in 2007.

Provincial Highlight

While the core area of most older communities was constructed without the benefit of an official plan, the Town of Stratford has grown in quite the opposite fashion. Because of Stratford's close proximity to Charlottetown, it was traditionally a bedroom community, with residents shopping and working in the neighbouring city. Since there was little need for commercial development the town has grown around an essentially vacant central core area. While this style of development is certainly unique, it now offers the growing town a great deal of flexibility in planning for future growth.

Stratford is now in the process of determining what to do with the core area over the coming years. Since most of the land is currently vacant, planners are able to look at other communities and see what has worked and what has not. In this way the Town is creating a plan that incorporates green space and development, but in a way that most people should prefer.

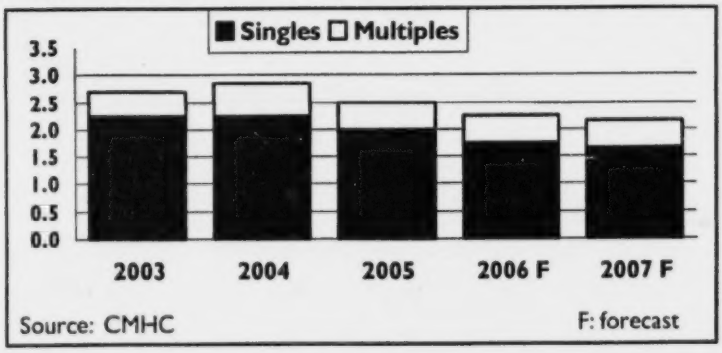
Newfoundland and Labrador

Overview

Economic Growth rebounds in 2006

With both White Rose and Voisey's Bay recording a full year of production, economic output will increase by a respectable 5.0 per cent this year. The province will lead Canada in economic growth in 2006 and produce close to 50 per cent of Canada's light crude oil. With new discoveries and production gains, this growth is expected to continue into 2007, albeit at a slower pace. The provincial government has reduced the budget deficit and will invest in strategic initiatives which will bolster overall government expenditures. Provincial government wages and salaries are also slated to increase this year by 3 per cent. Employment will edge up, with an increase of 0.7 per cent this year and 0.8 per cent in 2007. The outlook for the fishery remains uncertain, given the erosion of returns to both harvesters and processors caused by the strengthening Canadian dollar, difficult international market conditions and lower catch rates for key species. Personal incomes will continue to grow in 2006, but expect only modest gains in consumer spending. Ongoing population losses and moderate interest rate increases will cause domestic demand to ease. The conclusion of construction at White Rose and Voisey's Bay in 2005 will constrain employment growth this year. The development of power generation, offshore oil development, and growth in the mining industry, are all sources of upside risk to the forecast. Even with these factors in play, housing starts will decline 10 per cent this year to 2250 units . In 2007, starts will decrease further to 2150 units.

Newfoundland and Labrador Starts (000's)



Source: CMHC F: forecast

In Detail

Single Starts: With rising labour and material costs, higher development charges and growing competition from the existing home market, a moderate decline in single-detached housing starts is expected this year and next. Continued negative net-migration, combined with steadily rising interest rates and marginal labour market performance, will push the single starts down to 1740 units in 2006 and 1650 units in 2007.

Multiple Starts: As single-detached house prices continue to climb, multiple unit construction will benefit, increasing marginally to 510 units in 2006. Migration, changing household composition, and a thriving economy are persuading more developers to capitalize on a growing condominium market in St. John's. Accordingly, condo starts are forecast to gradually increase in the coming years. When combined with public sector investment in affordable housing, multiple starts at 500 units in 2007 will remain close to recent levels of activity.

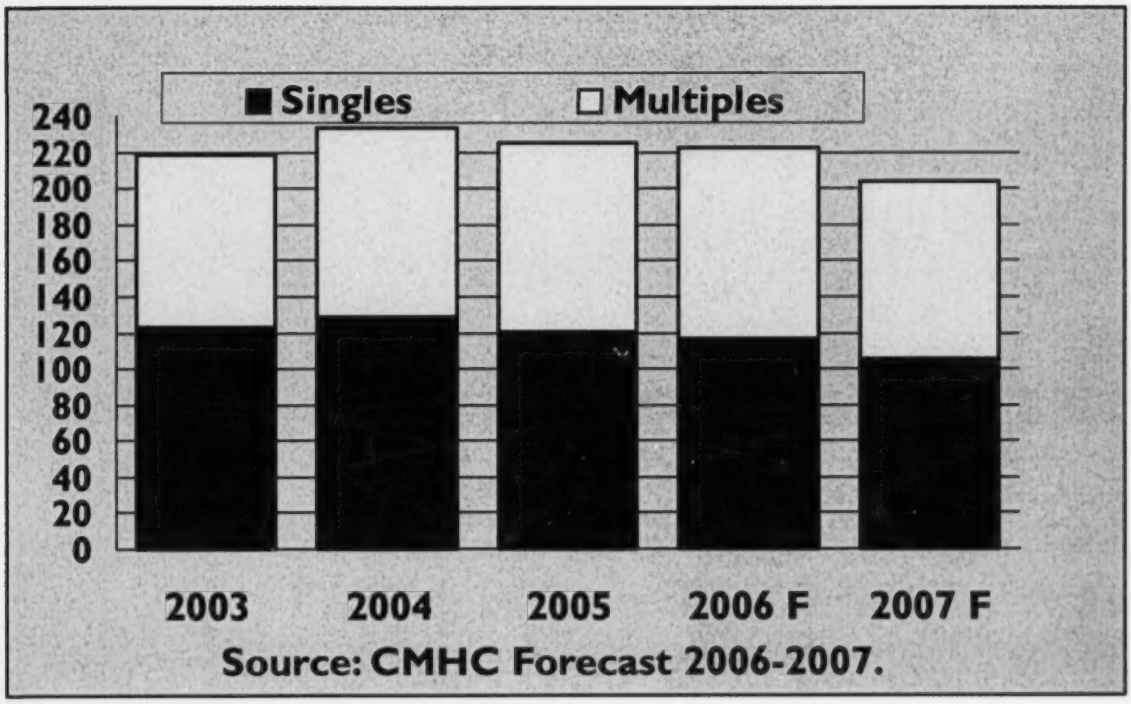
Resales: The recent surge in MLS® listings has provided more choice in the marketplace and helped sustain homebuyer activity in the St. John's region. Overall demand is expected to ease somewhat this year and next. Provincial MLS® sales are forecast to edge down to 3,000 units in 2006 and 2,850 units in 2007.

Prices: Despite the surge in the supply of homes for sale, the average MLS® house price continues to increase at a steady rate. Due in part to the surprising strength during the latter half of 2005, the MLS® average sale price will advance 4.5 per cent this year. The outlook for 2007 will be impacted by a continuing decline in demand, with the average MLS® price forecast to increase by 3.1 per cent.

Provincial Highlight

Even though net migration to the province continues to be negative, migration flows to the St. John's region have been positive since 1999. In fact, the migration picture has improved significantly for the provincial capital in recent years, resulting in a total net-gain of 6,484 people since 1999. Over the past four years, migration has gathered momentum, with the St. John's CMA experiencing an average gain of approximately 1,425 people per year. The vast majority of these migrants are over the age of 25. This has created a strong demand for housing, particularly for home ownership. Further developments in the offshore oil industry, along with uncertainty in rural areas, will continue to support movement to the capital region.

Canada Starts (000's)



Total Housing Starts
(units and annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	1788	2,419	2,692	2,870	2,498	2,250	2,150
%	22.5	35.3	11.3	6.6	-13.0	-9.9	-4.4
PEI	675	775	814	919	862	775	750
%	-4.9	14.8	5.0	12.9	-6.2	-10.1	-3.2
NS	4092	4,970	5,096	4,717	4,775	5,100	4,800
%	-7.7	21.5	2.5	-7.4	1.2	6.8	-5.9
NB	3462	3,862	4,489	3,947	3,959	3,650	3,350
%	12.4	11.6	16.2	-12.1	0.3	-7.8	-8.2
QUE	27682	42,452	50,289	58,448	50,910	45,000	40,000
%	12.1	53.4	18.5	16.2	-12.9	-11.6	-11.1
ONT	73282	83,597	85,180	85,114	78,795	75,000	68,500
%	2.5	14.1	1.9	-0.1	-7.4	-4.8	-8.7
MAN	2963	3,617	4,206	4,440	4,731	4,800	5,000
%	15.7	22.1	16.3	5.6	6.6	1.5	4.2
SASK	2381	2,963	3,315	3,781	3,437	3,600	3,600
%	-5.3	24.4	11.9	14.1	-9.1	4.7	0.0
ALTA	29174	38,754	36,171	36,270	40,847	45,000	41,000
%	11.1	32.8	-6.7	0.3	12.6	10.2	-8.9
BC	17234	21,625	26,174	32,925	34,667	37,000	34,900
%	19.5	25.5	21.0	25.8	5.3	6.7	-5.7
Canada	162733	205,034	218,426	233,431	225,481	*222,200	*204,100
%	7.3	26.0	6.5	6.9	-3.4	-1.5	-8.1

Source: CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding.

Single-detached Starts
(units and annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	1,598	2,092	2,240	2,229	2,005	1,740	1,650
%	21.5	30.9	7.1	-0.5	-10.0	-13.2	-5.2
PEI	551	582	613	682	634	555	530
%	-10.3	5.6	5.3	11.3	-7.0	-12.5	-4.5
NS	2,761	3,363	2,968	3,270	3,010	2,850	2,700
%	-3.3	21.8	-11.7	10.2	-8.0	-5.3	-5.3
NB	2,573	2,769	3,139	2,970	2,665	2,575	2,330
%	5.4	7.6	13.4	-5.4	-10.3	-3.4	-9.5
QUE	17,193	25,257	27,225	28,871	23,930	21,500	19,500
%	12.0	46.9	7.8	6.0	-17.1	-10.2	-9.3
ONT	39,632	51,114	47,610	48,929	41,682	35,500	31,500
%	-3.5	29.0	-6.9	2.8	-14.8	-14.8	-11.3
MAN	2,460	3,016	3,165	3,484	3,709	3,750	3,900
%	4.8	22.6	4.9	10.1	6.5	1.1	4.0
SASK	1,627	1,931	2,097	2,193	2,425	2,600	2,450
%	-13.9	18.7	8.6	4.6	10.6	7.2	-5.8
ALTA	19,769	24,520	21,918	22,487	26,684	30,500	27,000
%	17.4	24.0	-10.6	2.6	18.7	14.3	-11.5
BC	7,862	10,730	12,252	14,056	13,719	15,100	14,000
%	5.6	36.5	14.2	14.7	-2.4	10.1	-7.3
CAN	96,026	125,374	123,227	129,171	120,463	*116,700	*105,600
%	4.2	30.6	-1.7	4.8	-6.7	-3.1	-9.5

Source: CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding.

Multiple Starts
(units and annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	190	327	452	641	493	510	500
%	31.9	72.1	38.2	41.8	-23.1	3.4	-2.0
PEI	124	193	201	237	228	220	220
%	29.2	55.6	4.1	17.9	-3.8	-3.5	0.0
NS	1,331	1,607	2,128	1,447	1,765	2,250	2,100
%	-15.5	20.7	32.4	-32.0	22.0	27.5	-6.7
NB	889	1,093	1,350	977	1,294	1,075	1,020
%	39.6	22.9	23.5	-27.6	32.4	-16.9	-5.1
QUE	10,489	17,195	23,064	29,577	26,980	23,500	20,500
%	12.2	63.9	34.1	28.2	-8.8	-12.9	-12.8
ONT	33,650	32,483	37,570	36,185	37,113	39,500	37,000
%	10.6	-3.5	15.7	-3.7	2.6	6.4	-6.3
MAN	503	601	1,041	956	1,022	1,050	1,100
%	137.3	19.5	73.2	-8.2	6.9	2.7	4.8
SASK	754	1,032	1,218	1,588	1,012	1,000	1,150
%	21.0	36.9	18.0	30.4	-36.3	-1.2	15.0
ALTA	9,405	14,234	14,253	13,783	14,163	14,500	14,000
	-0.3	51.3	0.1	-3.3	2.8	2.4	-3.4
BC	9,372	10,895	13,922	18,869	20,948	21,900	20,900
%	34.5	16.3	27.8	35.5	11.0	4.5	-4.6
CAN	66,707	79,660	95,199	104,260	105,018	*105,500	*98,500
%	12.2	19.4	19.5	9.6	0.7	0.5	-6.6

Source: CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding.

Multiple Housing Starts by Type (Units)

		2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NF	Semi-detached	30	36	66	264	151	135	125
	Row	36	42	107	51	31	25	25
	Apartment	124	249	279	326	311	350	350
	Total	190	327	452	641	493	510	500
PEI	Semi-detached	56	64	72	76	111	80	100
	Row	10	47	40	80	75	40	40
	Apartment	58	82	89	81	42	100	80
	Total	124	193	201	237	228	220	220
NS	Semi-detached	228	253	338	266	301	300	250
	Row	40	144	277	186	265	250	250
	Apartment	1,063	1,210	1,513	995	1,199	1,700	1,600
	Total	1,331	1,607	2,128	1,447	1,765	2,250	2,100
NB	Semi-detached	114	186	254	293	391	286	305
	Row	153	68	143	256	203	164	170
	Apartment	622	839	953	428	700	625	545
	Total	889	1,093	1,350	977	1,294	1,075	1,020
QC	Semi-detached	1,309	1,855	2,432	2,932	2,678	2,100	1,875
	Row	869	964	773	1,109	1,074	700	625
	Apartment	8,311	14,376	19,859	25,536	23,228	20,700	18,000
	Total	10,489	17,195	23,064	29,577	26,980	23,500	20,500
ON	Semi-detached	7,106	6,886	6,379	5,172	4,673	4,300	3,800
	Row	10,269	11,849	12,191	12,824	12,537	12,000	11,000
	Apartment	16,275	13,748	19,000	18,189	19,903	23,200	22,200
	Total	33,650	32,483	37,570	36,185	37,113	39,500	37,000
MAN	Semi-detached	51	68	88	132	133	100	90
	Row	84	76	62	92	161	100	100
	Apartment	368	457	891	732	728	850	910
	Total	503	601	1,041	956	1,022	1,050	1,100
SK	Semi-detached	116	142	95	184	236	200	200
	Row	240	456	594	681	378	400	400
	Apartment	398	434	529	723	398	400	550
	Total	754	1,032	1,218	1,588	1,012	1,000	1,150
ALB	Semi-detached	1,957	2,869	2,567	2,916	3,012	3,500	3,700
	Row	1,779	2,531	2,859	2,401	2,951	3,100	3,000
	Apartment	5,669	8,834	8,827	8,466	8,200	7,900	7,300
	Total	9,405	14,234	14,253	13,783	14,163	14,500	14,000
B.C.	Semi-detached	916	1,225	1,353	2,062	1,791	1,680	1,600
	Row	1,686	2,305	3,297	4,387	4,459	4,220	4,000
	Apartment	6,770	7,365	9,272	12,420	14,698	16,000	15,300
	Total	9,372	10,895	13,922	18,869	20,948	21,900	20,900
CAN	Semi-detached	11,883	13,584	13,644	14,297	13,477	12,681	12,070
	Row	15,166	18,482	20,343	22,067	22,134	20,999	19,610
	Apartment	39,658	47,594	61,212	67,896	69,407	71,825	66,830
	Total	66,707	79,660	95,199	104,260	105,018	*105,500	*98,500

Source: CMHC Forecast 2006-2007.
* Total does not add due to rounding.

Total Residential Resales
(units and annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	2,808	3,014	3,238	3,265	3,211	3,000	2,850
%	8.3	7.3	7.4	0.8	-1.7	-6.6	-5.0
PEI	1,234	1,306	1,404	1,500	1,449	1,400	1,400
%	2.3	5.8	7.5	6.8	-3.4	-3.4	0.0
NS	9,441	10,243	9,221	8,887	10,387	10,050	9,425
%	10.1	8.5	-10.0	-3.6	16.9	-3.2	-6.2
NB	4,779	5,089	5,489	5,979	6,836	6,400	6,100
%	5.6	6.5	7.9	8.9	14.3	-6.4	-4.7
QUE	62,351	68,161	67,130	69,296	70,649	69,500	67,000
%	15.1	9.3	-1.5	3.2	2.0	-1.6	-3.6
ONT	162,318	178,058	184,457	197,353	197,007	192,000	184,000
%	10.3	9.7	3.6	7.0	-0.2	-2.5	-4.2
MAN	11,440	11,108	11,523	12,098	12,761	13,250	13,750
%	7.8	-2.9	3.7	5.0	5.5	3.8	3.8
SASK	7,971	7,933	7,698	8,172	8,312	8,800	8,700
%	5.5	-0.5	-3.0	6.2	1.7	5.9	-1.1
ALTA	48,989	51,042	51,334	57,460	65,866	73,000	70,000
%	13.1	4.2	0.6	11.9	14.6	10.8	-4.1
BC	69,554	82,737	93,095	96,385	106,310	101,000	97,000
%	28.4	19.0	12.5	3.5	10.3	-5.0	-4.0
CAN**	380,885	418,691	434,589	460,395	482,788	*478,400	*460,200
%	14.1	9.9	3.8	5.9	4.9	-0.9	-3.8

Sources: Canadian Real Estate Association and Real Estate Board of the Fredericton Area Inc.,
CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding. **Canada totals are for 10 provinces

Average Residential Resale Price
(dollars and annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	104,376	113,081	119,822	131,499	141,167	147,500	152,000
%	4.9	8.3	6.0	9.7	7.4	4.5	3.1
PEI	87,696	94,964	101,745	110,815	117,237	121,000	123,500
%	5.8	8.3	7.1	8.9	5.8	3.2	2.1
NS	115,485	126,669	136,292	146,033	159,556	168,000	172,500
%	5.1	9.7	7.6	7.1	9.3	5.3	2.7
NB	95,947	100,129	105,858	112,933	120,641	125,000	128,500
%	4.7	4.4	5.7	6.7	6.8	3.6	2.8
QUE	115,820	130,403	151,881	171,099	184,583	196,000	202,000
%	4.1	12.6	16.5	12.7	7.9	6.2	3.1
ONT	193,357	210,901	226,824	245,230	263,042	279,000	287,000
%	5.2	9.1	7.5	8.1	7.3	6.1	2.9
MAN	93,192	96,531	106,788	119,245	133,854	147,500	158,000
%	6.0	3.6	10.6	11.7	12.3	10.2	7.1
SASK	98,310	101,297	104,995	110,824	122,765	132,000	140,000
%	4.5	3.0	3.7	5.6	10.8	7.5	6.1
ALTA	153,737	170,253	182,845	194,769	218,266	270,000	292,000
%	5.1	10.7	7.4	6.5	12.1	23.7	8.1
BC	222,822	238,877	259,968	289,107	332,224	391,000	418,000
%	0.7	7.2	8.8	11.2	14.9	17.7	6.9
CAN**	171,801	188,785	207,162	226,386	249,365	*277,200	*290,600
%	4.7	9.9	9.7	9.3	10.2	11.2	4.8

Sources: Canadian Real Estate Association and Real Estate Board of the Fredericton Area Inc.,
CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding. **Canada totals are for 10 provinces

Employment (annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	2.9	1.7	2.4	1.0	-0.1	0.7	0.8
PEI	1.5	1.7	2.2	1.3	1.9	0.8	1.0
NS	0.9	1.8	2.0	2.6	0.2	0.8	1.2
NB	-0.3	3.9	0.0	2.0	0.1	0.5	0.8
QUE	1.1	3.8	1.7	1.4	1.0	1.1	1.1
ONT	1.9	1.8	3.0	1.7	1.3	1.5	1.6
MAN	0.4	2.3	0.5	1.1	0.6	1.3	1.1
SASK	-2.8	1.7	1.7	0.8	0.8	0.5	0.8
ALTA	3.0	2.4	2.7	2.4	1.5	3.1	2.0
BC	-0.5	2.3	2.5	2.4	3.3	2.9	2.3
CAN	1.2	2.4	2.4	1.8	1.4	1.7	1.5

Sources: Statistics Canada, CMHC Forecast 2006-2007.
(F) Forecast.

Unemployment Rate (percent)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	16.0	16.6	16.5	15.7	15.2	14.8	14.3
PEI	12.0	12.1	11.0	11.2	10.8	11.0	11.0
NS	9.8	9.6	9.1	8.8	8.4	8.1	7.7
NB	11.1	10.2	10.3	9.8	9.7	9.7	9.7
QUE	8.8	8.6	9.1	8.5	8.3	8.2	8.1
ONT	6.4	7.1	6.9	6.8	6.6	6.4	6.2
MAN	5.1	5.1	5.0	5.3	4.8	4.6	4.6
SASK	5.8	5.7	5.6	5.3	5.1	4.9	4.7
ALTA	4.7	5.3	5.1	4.6	3.9	3.7	3.7
BC	7.7	8.5	8.0	7.2	5.9	4.9	4.8
CAN	7.2	7.7	7.6	7.2	6.8	6.5	6.3

Sources: Statistics Canada, CMHC Forecast 2006-2007.
(F) Forecast.

Real Gross Domestic Product (annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	1.6	16.4	6.2	-1.4	0.4	5.0	2.0
PEI	-1.1	5.8	1.5	1.8	2.0	1.6	2.0
NS	3.2	4.2	0.9	1.4	1.1	2.2	2.5
NB	1.7	4.4	1.7	2.0	0.5	2.4	2.5
QUE	1.5	2.7	2.1	2.3	2.2	2.3	2.6
ONT	1.8	3.2	1.6	2.7	2.8	2.9	3.0
MAN	0.8	1.9	1.8	2.3	2.7	3.1	2.6
SASK	-1.0	-0.2	3.8	3.4	3.2	2.9	3.1
ALTA	1.7	2.5	3.1	4.3	4.5	4.6	3.9
BC	0.6	3.5	2.7	4.0	3.5	3.5	3.5
CAN	1.8	3.1	2.0	2.9	2.9	3.1	3.0

Sources: Statistics Canada, CMHC Estimate 2005, CMHC Forecast 2006-2007
(F) Forecast.

Total Net Migration* (persons)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	-3,765	-2,657	-691	-1,508	-2,981	-2,900	-1,950
PEI	357	148	373	-4	206	300	300
NS	-195	1,100	1,362	874	-1,366	-150	300
NB	-1,175	699	-428	215	-1,619	-1,200	-850
QUE	27,730	29,038	33,335	35,138	28,990	31,000	32,500
ONT	162,871	135,886	105,354	98,398	94,952	108,000	113,000
MAN	-807	1,844	3,315	5,934	-490	4,200	4,500
SASK	-7,675	-6,285	-3,605	-2,445	-6,592	-2,500	-1,250
ALTA	38,273	29,503	22,425	24,246	59,043	39,800	39,000
BC	28,700	24,488	34,120	37,331	43,106	48,500	50,000
CAN**	244,314	213,764	195,560	198,179	213,249	*225,050	*235,550

Sources: Statistics Canada, CMHC Estimate 2005. CMHC Forecast 2006-2007. (F) Forecast.
* Sum of interprovincial migration, international migration, and non-permanent residents.
** Excludes Yukon, Northwest Territories, and Nunavut.

Local Market Indicators

Census Metropolitan Area		Total housing starts	Single-detached housing starts	New housing price index, annual % chg.	MLS® sales	MLS® average price	Rental vacancy rate structures of 3 units +
Victoria	2005	2,058	974	7.9	7,970	380,897	0.5
	2006(F)	2,220	1,020	9.0	7,700	418,500	0.8
	2007(F)	2,185	995	8.0	7,500	430,000	1.2
Vancouver	2005	18,914	4,935	5.5	42,222	425,745	1.4
	2006(F)	20,500	5,500	6.0	39,000	495,000	1.5
	2007(F)	20,000	5,400	7.0	37,500	520,000	1.7
Abbotsford	2005	1,012	458	na	4,075	260,856	3.8
	2006(F)	1,100	490	na	4,100	280,000	5.0
	2007(F)	1,150	500	na	3,800	295,000	3.8
Edmonton	2005	13,294	7,623	6.5	18,634	193,934	4.5
	2006(F)	14,000	8,300	9.0	19,900	224,000	3.5
	2007(F)	12,800	7,600	6.0	18,850	234,500	2.5
Calgary	2005	13,667	8,719	7.0	31,567	250,789	1.6
	2006(F)	15,000	9,750	15.0	36,000	314,300	1.0
	2007(F)	13,750	9,000	9.0	34,000	341,000	1.0
Saskatoon	2005	1,062	751	5.6	3,246	144,787	4.6
	2006(F)	1,400	700	5.0	3,400	156,000	5.0
	2007(F)	1,400	700	5.0	3,400	167,000	4.8
Regina	2005	888	572	6.4	2,730	122,284	3.0
	2006(F)	1,200	600	6.0	2,800	136,000	3.0
	2007(F)	1,000	600	6.0	2,700	150,000	3.0
Winnipeg	2005	2,586	1,756	8.5	11,415	137,062	1.7
	2006(F)	2,650	1,800	8.5	12,000	152,000	2.2
	2007(F)	2,775	1,900	8.0	12,800	165,000	2.7
Thunder Bay	2005	227	179	2.0	1,410	122,889	5.0
	2006(F)	210	160	1.0	1,349	124,486	5.0
	2007(F)	205	155	1.0	1,298	126,976	6.0
Sudbury	2005	400	384	2.0	2,593	134,440	2.0
	2006(F)	440	390	1.0	2,671	141,161	2.0
	2007(F)	460	410	1.0	2,724	145,396	3.0
Windsor	2005	1,496	1,110	3.0	5,661	163,000	10.3
	2006(F)	1,428	950	3.0	5,550	165,500	7.5
	2007(F)	1,320	950	3.0	5,400	167,000	5.0
London	2005	3,067	2,063	4.8	9,133	178,910	4.2
	2006(F)	3,005	1,900	4.3	8,950	187,500	4.0
	2007(F)	2,560	1,800	3.8	8,670	191,500	4.1
Kitchener	2005	3,763	2,082	5.0	6,147	220,511	3.3
	2006(F)	3,600	2,000	3.8	6,250	235,000	3.1
	2007(F)	3,310	1,900	3.5	6,100	247,500	2.9
St. Catharines-Niagara	2005	1,412	1,043	7.0	6,715	182,605	2.7
	2006(F)	1,420	1,000	4.5	6,600	190,000	2.4
	2007(F)	1,380	950	3.5	6,350	197,000	2.3
Hamilton	2005	3,145	1,502	6.0	13,565	229,753	4.3
	2006(F)	3,080	1,380	5.8	13,450	246,000	4.2
	2007(F)	3,040	1,320	5.5	13,220	258,500	4.0
Toronto	2005	41,596	15,797	4.5	85,672	336,176	3.7
	2006(F)	39,900	13,000	4.5	84,000	356,000	3.5
	2007(F)	36,300	11,000	4.0	81,000	368,000	3.0

Local Market Indicators

Census Metropolitan Area		Total housing starts	Single-detached housing starts	New housing price index annual % chg.	MLS® sales	MLS® average price	Rental vacancy rate Structures of 3 units +
Oshawa*	2005	2,934	2,301	na	9,232	252,606	3.3
	2006(F)	2,720	2,050	na	9,100	262,000	3.0
	2007(F)	2,380	1,780	na	8,700	269,000	2.9
Kingston	2005	683	598	na	3,464	195,757	2.4
	2006(F)	700	525	na	3,400	205,240	2.2
	2007(F)	650	500	na	3,375	213,450	2.0
Ottawa	2005	4,982	2,350	5.5	13,300	248,358	3.3
	2006(F)	4,850	2,250	4.5	13,100	257,500	3.0
	2007(F)	4,650	2,225	3.5	12,900	265,300	2.8
Gatineau	2005	2123	1,192	3.50	3,992	164,000	3.10
	2006(F)	2300	1,600	3.75	3,800	168,000	3.00
	2007(F)	2350	1,500	3.00	3,650	170,000	3.00
Montréal	2005	25,317	8,544	5.5	37,951	222,915	2.0
	2006(F)	23,000	7,500	6.0	37,500	232,000	2.5
	2007(F)	20,000	6,500	5.0	36,500	240,000	3.0
Trois-Rivières	2005	919	367	na	773	112,247	1.50
	2006(F)	900	340	na	830	117,500	1.90
	2007(F)	775	310	na	800	120,000	2.30
Sherbrooke	2005	1,076	557	na	1,287	150,800	1.2
	2006(F)	1,190	500	na	1,380	161,400	1.6
	2007(F)	815	375	na	1,230	167,900	2.0
Québec	2005	5835	2,528	4.30	7045	151,660	1.40
	2006(F)	5000	2,250	5.00	7150	159,300	2.00
	2007(F)	4200	1,850	3.50	7000	162,500	2.50
Saguenay	2005	464	267	na	1,244	109,419	4.5
	2006(F)	430	245	na	1,200	117,000	5
	2007(F)	350	235	na	1,150	123,000	5
Saint John	2005	501	403	4.1	1,901	119,719	5.7
	2006(F)	500	340	3.5	1,750	123,000	5.5
	2007(F)	540	340	3.0	1,650	125,000	5.5
Halifax	2005	2,451	1,216	2.5	6,541	187,802	3.3
	2006(F)	2,825	1,150	4.0	6,200	195,500	3.6
	2007(F)	2,775	1,100	3.5	5,700	198,000	3.2
St. John's	2005	1,534	1,096	5.8	3,196	141,167	4.5
	2006(F)	1,450	1,000	4.0	2,950	148,000	5.0
	2007(F)	1,450	1,000	3.0	2,800	152,500	5.0
Charlottetown	2005	448	305	4.3	486	144,036	4.4
	2006(F)	425	275	3.5	475	147,000	4.5
	2007(F)	400	275	3.0	500	150,000	4.0
ALL METRO AREAS	2005	157,854	71,672	4.8	343,127		2.7
	2006(F)	157,443	68,965	6.2	342,555		2.8
	2007(F)	144,970	63,170	5.2	331,267		2.8

Sources: CMHC, Canadian Real Estate Association, Local real estate boards, Statistics Canada, CMHC Forecast 2006-2007
MLS® data for St. Catharines-Niagara is aggregated using total numbers of the area's three real estate boards.
*MLS® numbers reflect all of Durham Region
n.a.: data not available

Major Housing Indicators
Seasonally Adjusted Annual Rates
(levels and quarterly percent change)

	04:Q2	04:Q3	04:Q4	05:Q1	05:Q2	05:Q3	05:Q4	06:Q1
New housing								
Building permits, units, thousands	251.2	241.7	238.8	220.6	236.0	231.8	267.6	n.a.
%	7.4	-3.8	-1.2	-7.6	6.9	-1.8	15.5	n.a.
Housing starts, total, thousands	231.9	238.0	233.1	212.3	233	227.4	224.6	248
%	1.8	2.6	-2.1	-8.9	9.8	-2.4	-1.2	10.4
Housing starts, singles, thousands	126.3	134.4	127.4	116.1	125.0	116.7	121.7	132.5
%	-2.1	6.4	-5.2	-8.9	7.7	-6.6	4.3	8.9
Housing starts, multiples, thousands	105.6	103.6	105.7	96.2	108	110.7	102.9	115.5
%	7.0	-1.9	2.0	-9.0	12.3	2.5	-7.0	12.2
Housing completions, total, thousands	48,644	61,642	60,035	47,053	51,688	58,095	54,406	49,321
%	7.4	26.7	-2.6	-21.6	9.9	12.4	-6.3	-9.3
New house price index, 1997=100	122.6	124.2	125.4	126.5	128.4	130.1	132.4	n.a.
%	1.9	1.3	1.0	0.9	1.5	1.3	1.8	n.a.
Existing housing								
MLS® resales, units, thousands	473,224	455,200	453,028	454,940	488,612	500,448	488,932	500,568
%	2.5	-3.8	-0.5	0.4	7.4	2.4	-2.3	2.4
MLS® average resale price, $C thousands	225,744	225,642	234,339	239,450	247,166	251,352	258,542	267,205
%	2.7	-0.0	3.9	2.2	3.2	1.7	2.9	3.4
Mortgage market								
1-year mortgage rate, per cent*	4.57	4.60	4.90	4.88	4.83	4.97	5.55	5.90
5-year mortgage rate, per cent*	6.45	6.38	6.25	6.12	5.90	5.80	6.15	6.4
Residential investment**								
Total, $1997 billions	66.3	67.4	68.2	67.8	69.0	69.4	69.6	n.a.
%	1.6	1.7	1.2	-0.5	1.7	0.6	0.2	n.a.
New, $1997 billions	33.0	33.5	34.1	33.3	33.3	33.0	32.9	n.a.
%	1.2	1.5	1.6	-2.1	-0.2	-0.9	-0.2	n.a.
Alterations, $1997 billions	23.7	24.4	25.3	25.3	26.0	26.3	27.0	n.a.
%	0.5	3.1	3.6	0.2	2.7	1.0	2.7	n.a.
Transfer costs, $1997 billions	9.63	9.59	9.13	9.39	9.92	10.31	10.01	n.a.
%	4.9	-0.5	-4.8	2.8	5.7	4.0	-2.9	n.a.
Deflator, 1997=100	125.8	126.4	127.2	128.8	129.8	130.6	132.2	n.a.
%	2.5	0.5	0.7	1.3	0.7	0.6	1.2	n.a.

Sources: CMHC, Statistics Canada, Bank of Canada, Canadian Real Estate Association.
n.a. Data not available.
* All indicators are seasonally adjusted, except 1-year and 5-year mortgage rates .
** Residential Investment includes outlays for new permanent housing, conversion costs, cost of alterations and improvements, supplementary costs, and transfer costs.